Brascan
LIMITED

64TH ANN
REP

Brascan
LIMITED

BOX 48, COMMERCE COURT WEST, TORONTO, ONTARIO M5L 1B7

Highlights

	1976 $ millions*	1975 $ millions*
Operating revenues	**1,284.1**	1,152.7
Income before extraordinary items:		
First quarter	**14.8**	31.0
Second quarter	**27.1**	27.2
Third quarter	**32.0**	26.5
Fourth quarter	**28.6**	11.4
Year	**102.5**	96.1
Net income for year	**108.0**	84.5
Funds provided from operations	**150.6**	149.9
Total dividends paid	**27.7**	27.6
Total assets	**2,583.7**	2,242.9
Per ordinary share:		
Income before extraordinary items	**$ 3.87**	$ 3.48
Net income for year	**4.08**	3.06
U.S.$ component of income before extra-ordinary items and Sukunka write down	**1.22**	1.15
Shareholders' equity	**43.04**	40.07
Dividends	**1.00**	1.00
†Yield	**8.62%**	9.14%
†Registered shareholders	**41,365**	39,600

*Dollar amounts expressed in U.S. currency
†At December 31, 1976

Contents

Si vous désirez recevoir un exemplaire en français de ce Rapport, veuillez vous adresser au Secrétaire, Brascan Limited

Directors' Report

The Directors are pleased to report that during the year, with the exception of Light which is covered in detail later in the report, the Company made satisfactory progress in terms of financial results and a strengthening of investment programs in Canada and Brazil.

Consolidated income of your Company for 1976 before extraordinary items was $102.5 million* ($3.87 per ordinary share) compared with 1975 earnings of $96.1 million ($3.48 per ordinary share) on a restated basis for 1975.

In 1976 extraordinary gains of $5.5 million ($0.21 per ordinary share) increased final net income to $108.0 million ($4.08 per ordinary share) whereas in 1975 extraordinary charges of $11.6 million ($0.42 per ordinary share) reduced final net income to $84.5 million on a basis restated as outlined on page 18.

Extraordinary gains for the year reflect the following items: the $2.9 million, including interest and monetary correction, on settlement for the assets of the São Paulo gas service expropriated in 1967; the $2.0 million profit realized on the sale of investments in Hudson's Bay Company and Commerce Capital Corporation; and the $0.6 million proportionate share of an extraordinary gain recorded by an investment carried on the equity method.

There was some improvement in the world's economies during the year as governments made a determined effort to grapple with inflation, money supply and low productivity. However, the Canadian Government's policy responses to those issues showed few positive results in 1976. A low level of investment by the private sector, high wage rates, poor productivity, rising unemployment and reduced corporate profits led to a general lack of confidence in the Canadian economy.

During 1976, the Brazilian Government changed the direction of its economic policy. Improvement in the balance of payments and trade position took priority over the previous concerns of inflation control and internal economic growth. The new government programs were moderately successful.

*Dollar figures throughout this report are expressed in United States dollars except where otherwise indicated.

Light

Brascan's principal investment, Light-Serviços de Eletricidade S.A., distributed 42.6 % of the electric energy consumed in Brazil during 1976. Its service area includes the metropolitan areas of São Paulo and Rio de Janeiro, the most highly industrialized and populous areas of the country.

Light's energy sales increased 11.2% in 1976 to 32.3 billion kilowatt hours. In 1976, 71.1% of Light's total electricity was purchased from government sources and by year-end the company was serving 4.2 million customers.

Light's capital expenditures, part of a continuing program begun in 1973 to expand and improve service, totalled $262 million in 1976 and are planned to be $221 million in 1977. The company expects energy sales during 1977 to increase at a rate of 6.8%.

As a result of the regulatory changes which apply to all electric utility companies in Brazil, and which became effective in 1976, net income was reduced by $21.6 million in 1976.

Under the rates established effective January 1, 1976, Light is deemed to have earned the maximum permissible return of 12% on its 1976 rate base as amended, and to have a surplus of revenues which has been deferred to future years.

Effective January 1, 1977 Light was granted an average rate increase of 36%. Current estimates, based in part on statements by the regulatory authorities, indicate that projected 1977 operating revenues, together with a portion of surplus revenues deferred from prior years, should provide a 12% rate of return on the 1977 rate base.

In view of the increasing gravity of the problem facing Light in the maintenance of normal services, the carrying out of the necessary capital expansion program and the obtaining of the required foreign financing, Light management is making further representations to the Brazilian Government seeking

to formalize the understandings reached in November 1975, and to make such revisions in the regulatory system as will provide an adequate return on capital employed in the service. Your Company considers it imperative that the discussions with the authorities bring about conditions that will assure Light the resources to implement the long-term plans to satisfy its service obligations to the public while fulfilling its responsibilities to creditors and providing a fair return to shareholders.

In the latter part of 1976 a group of prominent Brazilian businessmen expressed an interest in purchasing Brascan's controlling interest in Light. The group contemplated obtaining a Brazilian Government guarantee of the payments to Brascan. Shareholders were notified of this by letter on December 2, 1976. The Brazilian Government guarantee was not given and accordingly no offer was made to Brascan by the Brazilian group.

Investments in Brazil

During the past year management has increased its participation in some investment areas. Through Brascan Administração e Investimentos Ltda., activities have been directed toward a larger commitment of both management and financial resources to the more substantial and profitable projects. Two of the Company's investments in Brazil were sold and two were discontinued.

Operating results in 1976 for Brascan's investment group showed a marked improvement over 1975. In 1976 the investment group in Brazil had net income of $9.3 million compared to a 1975 loss of $16.0 million.

In September, the Company and John Labatt Limited purchased an additional 29% interest in Skol-Caracú, a Brazilian brewer, for the equivalent of approximately $10 million. Through an equal joint venture arrangement Brascan and Labatt now control 77.1% of Skol-Caracú.

Investments in Canada

The past year's results reflect the continuing strengthening of the Company's oil and gas operations as well as improved results in other investments.

Net income from operations of subsidiaries and associated companies was $4.5 million for 1976 before the $9.8 million write down in respect of the Sukunka coal project. This compares with a $0.4 million loss in 1975.

Particularly noteworthy was the increase in cash flow from the oil and gas operations of Brascan Resources Ltd. from Can. $3.2 million in 1975 to Can. $8.5 million in 1976. This was mainly attributable to increased sales of natural gas. The Company's share of gas plant capacity in Alberta increased during the year from 24 to 50 million cubic feet per day.

In 1976 Brascan increased its ownership in Western Mines Limited from 40.2% to 50.4%. Western Mines is continuing the exploration of a lead-zinc discovery in the area adjacent to the major Pine Point mine in the Northwest Territories.

Capital

In April, a U.S. $30 million debt issue was placed in the European market with interest at 9¾% for a six year term. In July, the Company issued Can. $35 million of tax deferred voting preferred shares. The proceeds of these issues have improved the Company's liquidity in Canada.

As at December 31, 1976, 59.3% of the outstanding voting shares were registered in the name of Canadian residents.

Bearer Shares

As previously announced, a facility has been established for the issue of Bearer International Depositary Receipts (the "IDRs") by Morgan Guaranty Trust Company of New York in Brussels, Belgium, which will be offered in exchange on a share-for-share basis, for the present outstanding Share Warrants to Bearer which form part of the issued Class A convertible ordinary share capital of the Company (the "Class A shares").

The IDRs themselves evidence an interest in the appropriate number of Class C convertible ordinary shares (the "Class C shares") held by a depositary on behalf of the holders of receipts.

The Class C shares may at any time be freely converted on a share for share basis into Class A shares. Accordingly, conversions from one class to the other will not affect the total issued share capital of the Company.

Corporate Responsibility

Your directors feel that because of a growing interest in corporate responsibility to society, shareholders may wish to know the Company's philosophy in this respect. Some aspects of our current programs in Brazil are described on page 21 of this report.

Board of Directors—Brascan

Mr. Beverley Matthews, Q.C. and Mr. Pierre Ansiaux, having reached retirement age, will not be standing for re-election at the Annual Meeting. In December 1976, Mr. W. G. Meese resigned as a director of the Company owing to other business commitments.

Our gratitude is due these distinguished men who provided wise and experienced guidance and counsel to the Company for a combined total of 55 years.

Executive Appointments

During the year two senior management changes took place. Mr. Lloyd B. Leeming, Vice-President Corporate Affairs retired. Mr. Duncan A. McAlpine assumed the position of Vice-President Corporate Affairs as of February 1, 1977.

Management and Employees

Your Company's employees have met with the challenges arising from a year of growth and change with combined enthusiasm and quality of performance. On behalf of the Board, we express our appreciation to the management and employees in Brazil and Canada for their dedication and loyalty during the past year.

On behalf of the Board of Directors,

J. H. Moore
Chairman

E. C. Freeman-Attwood
President

April 6, 1977

Review of Economic Developments in 1976

THE WORLD

The lack of a sustained world economic recovery after the recession of 1975 was apparent in the member countries of the Organization for Economic Co-operation and Development (OECD). Fairly rapid growth at a real annual GNP average rate of about 6% in the first half of 1976 slowed to just under 5% by year-end.

The recovery of the world economy, expected to be led by the United States, did not take place during the year as major capital expenditures in the U.S. were deferred and high inventories were allowed to reduce without replacement. This, coupled with falling U.S. farm income, slowed the pace of the turn around.

The OECD Secretariat has noted that in 1976 European internal demand continued to be weak with a marked slowdown in economic activity, exchange rate instability and more restrictive fiscal and monetary policies.

World trade recovered moderately in 1976 from the 1974/75 period and is expected to continue improving in 1977 and 1978. After a decline of about 6% in 1975, world trade rose by approximately 8.5% in 1976 with some wide variations for individual countries.

Although the inflation rate was declining in most countries during 1976, inflation remained fairly high overall. Production increases in some countries did not reduce unemployment because the investment required to sustain greater growth did not occur.

Gross domestic product in the major industrial countries increased by slightly less than 5% in 1976. Further increases are expected in 1977 assuming some turn around in the economies of the Federal Republic of Germany and the United States.

According to the World Bank, the deterioration in the world economy was not fully felt by most developing countries until the beginning of 1976 when industrialized nations' inflation control measures had a marked effect on commodity exports.

Many developing countries adopted domestic policies which encouraged the effective mobilization, allocation and increased efficiency of domestic resources. Government initiatives combined with good weather and a heavy flow of aid, credit and bank loans enabled many such countries to achieve a reasonable measure of growth during the year.

CANADA

Over the past year Canadian economic performance showed a modest recovery compared with 1975. This resulted in a 4.6% increase in real GNP in 1976 and a reduced rate of increase in the consumer price index at December 1976 to 5.8% over December 1975.

The Canadian Government's Anti-Inflation Board restraints reduced corporate investment spending.

To lower inflation by reducing demand the government took steps to restrict increases in its spending. In the first half of 1976 the rate of increase in total government spending slowed to 14.7% from 23.7% for the same period in 1975. However, it is felt that government spending must be further reduced since too high a portion of the GNP is being spent by government in non-productive sectors of the economy.

Monetary policy initiatives have reduced the rate of increase in money supply. Canadian interest rates, which held steady for most of the year with an abnormal spread above U.S. rates, brought a substantial flow of net capital into Canada. This resulted in a strong Canadian dollar, despite the large deficit on the current account of Canada's balance of payments.

In 1976 Canada set records for international borrowings at an unprecedented $9.2 billion, most of which was borrowed by governments and government entities, but not used for capital investments.

The Bank of Canada pursued a high interest rate policy while interest rates in the international markets declined. This situation did not change until November when Canadian interest rates were eased.

At year-end with economic activity in new private sector investments discouraged in part by Anti-Inflation Board restraints and a negative foreign

investment attitude toward Canada, the government was again faced with a need to restore confidence in the economy. Economic policy seems to be directed toward reducing inflation, concern over rising unemployment, the need for increased economic activity and a more competitive position in world markets. However, the priorities are not clear.

Canadian trade is always extremely sensitive to the U.S. economy. A slight improvement in U.S. demand for Canadian exports in the first half of 1976 enabled Canada to show a 1976 trade surplus of Can. $1.3 billion as compared to a 1975 deficit of Can. $0.6 billion. Of the Can. $38.0 billion total exports, exports to the U.S. ($25.8 billion) increased by 19% in 1976. The weakening of the Canadian dollar in 1977 should assist the growth of Canadian exports.

The U.S. demand appears to be increasing following the depletion of raw material inventories and the increased capital expenditure expectations in the United States. Therefore, if confidence in the Canadian economy can be restored, further growth should occur.

BRAZIL

Following reasonable economic progress in 1975 after the negative impact of sharply increased oil prices, the increase in Gross Domestic Product (GDP) for 1976 more than doubled that of 1975 and reached 8.8%.

Brazilian economic policy has traditionally been concerned with growth and the control of inflation. To overcome the negative effects of imports on the balance of payments, in 1976 emphasis was placed on import restrictions and substitutions through increases in domestic production. Significant improvements in the trade balance and balance of payments were achieved at the expense of growth and further inflation.

The Brazilian Government gave evidence of its ability to control the balance of trade by cutting $1.3 billion from the trade deficit. This is regarded as an important achievement considering an increase of 9% in real GDP. The government has held imports at a level about equal to 1975 which was slightly under the 1974 level.

In 1976, most industries registered substantial increases in output and sales. The slackening of economic activity which was anticipated in the second half of 1976, will probably occur in 1977.

Late in the year the government reviewed its investment program with the intention of reducing expansion sharply in 1977. As a result, the government plans to cut its spending by 40% in 1977. This is expected to reduce and defer investment programs in transportation, communications and energy. The total cutback is estimated to be equivalent to 15% of planned public and private sector investments in 1977.

Despite a lower rate of inflation in the last quarter, an increase in domestic production and the high cost of money raised the rate of inflation for 1976 to 44.8%. Inflation was fuelled by excess liquidity at the beginning of 1976, the continuing impact of imported oil and raw materials on domestic prices, import restrictions, sharply increased prices in food, agriculture and construction.

To curb demand, growth in the money supply was curtailed which caused increases in the cost of consumer credit and reductions in the availability of mortgage financing. Commercial banks were required to increase their cash deposit with the Banco Central from 33% to 35%. At the same time, interest rates charged by commercial banks on short-term loans were freed from control and then rose. Investment banks are no longer restricted as to their interest rates for both depositors and clients.

Foreign Trade

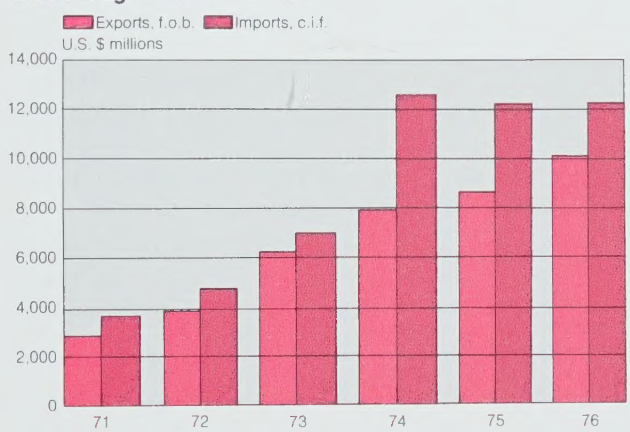
The substantial improvement in exports in 1976 reduced the deficit to $2.2 billion compared to $3.5 billion in 1975 and $4.7 billion in 1974. However, improvements in trade performance were offset by the cost of servicing external debt. The total current account deficit in 1976 was $6 billion.

Principal Exports
Value Expressed in Millions of U.S. Dollars

BRAZIL	1965	1973	1974	1975	1976
manufactured goods	110	1,703	2,963	3,370	3,615
coffee beans	707	1,243	877	817	2,172
soluble coffee	nil	99	125	75	226
soya	7	917	888	1,305	1,757
sugar	57	553	1,259	1,167	254
iron ore	103	363	571	873	995
cotton	96	218	91	86	7
beef	37	218	111	62	114
cocoa	28	89	210	201	219
all exports	1,595	6,199	7,967	8,650	10,126

(Based on figures supplied by Bank of Brazil)

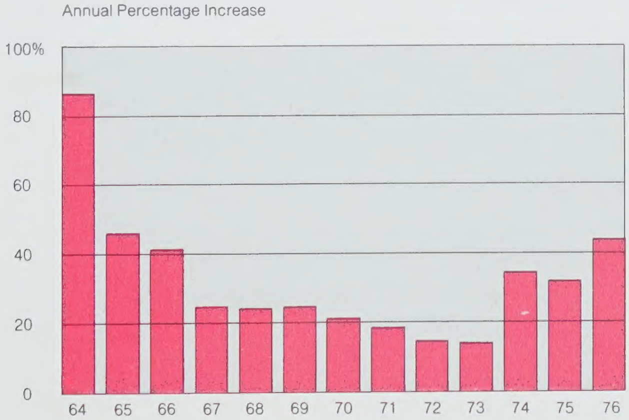
Brazil Foreign Trade 1971-1976



Source: Ministry of Planning
Bank of Brazil (1974—1976)

Cost of Living Index in Rio de Janeiro 1964-1976

Annual Percentage Increase



Interest payments on foreign debt totalled approximately $2.2 billion.

According to preliminary figures, the 1976 deficit was financed by continued foreign borrowings and investments totalling $8.4 billion, of which foreign equity investment amounted to $1.3 billion. This added $2.4 billion to the country's reserve position over year-end 1975.

The continuing policy of readjusting the value of the cruzeiro by a series of mini-devaluations to meet inflation resulted in a decline in the rate of exchange during the year from Cr$9.07 to Cr$12.345 to the U.S. dollar.

Production

With the 1976 GDP increase at an estimated 8.8% versus 4.2% in 1975, the industrial component expanded by 11% compared to 4.2% in 1975. The industry leaders were paper, construction materials, electric energy, chemicals and plastics. Growth exceeded expectations, but matched the government objectives for increased import substitution.

The government has announced a number of new projects and plans for the expansion of existing programs. The chemical and fertilizer sector is an example of the import substitution program's future significance. Chemical and fertilizer imports which cost $5 billion in 1974, were cut to $1 billion in 1976 and the industry should be self-sufficient by 1980.

Despite severe weather problems which damaged coffee and black bean crops, in 1976 agricultural production increased 4% over 1975.

As a result of the July, 1975 frost, the 1976/77 coffee crop is estimated at 6 million bags compared to the 1974/75 crop of 22.5 million bags. The Instituto Brasileiro do Café (IBC) has estimated that coffee exports for 1976 were 14.5 million bags, valued at $2.4 billion. Reserve stocks were used to meet export commitments and the increase in coffee prices should bring earnings from coffee exports to a record level for 1976/77.

Principal Investment Areas of Brascan

December 31, 1976*

Brascan LIMITED

Total assets—$2,584

Brascan Investments in Canada $348 13.4% of total	CONSUMER GOODS AND SERVICES $76 Labatt 24% Canadian Cable 26% FINANCIAL SERVICES $14 Triarch 100% NATURAL RESOURCES $118 Brascan Resources 100% Western Mines 51%	UTILITY $67 Great Lakes Power 100% OTHER $73 General corporate assets
Light $1,867 72.3% of total	UTILITY $1,867 Light 83%	
Brascan Investments in Brazil $369 14.3% of total	CONSUMER AND INDUSTRIAL GOODS AND SERVICES $45 Swift-Armour 42% Skol-Caracú 77% FNV 31% Embrasca 49% FINANCIAL SERVICES $206 Banco Brascan 100% Crefinan 53% NATURAL RESOURCES $5 Promisa 100% Jacundá 60%	REAL ESTATE $31 Gávea Hotelaria 60% São Conrado 67% Paratí 49% OTHER $82 General corporate assets

*Figures are stated in millions of United States dollars and represent book values of assets at December 31, 1976 as shown in the Consolidated Balance Sheet without deduction of liabilities.

Operating Companies

The following are the full names of the companies whose names are abbreviated in the foregoing table and elsewhere in this document, including a brief description of the nature of their principal business activities.

Banco Brascan de Investimento S.A.
An investment bank.

Brascan Resources Limited
Natural resource exploration, development and production.

Canadian Cablesystems Limited
A holding company with investments in cable TV systems and a theatre chain.

Crefinan S.A.-Crédito Financiamento e Investimentos
Consumer credit.

Embrasca-Empreendimentos Florestais e Agrícolas Ltda.
Forest industry.

FNV—Fábrica Nacional de Vagões S.A.
Manufacturer of railway equipment and automotive parts.

Gávea Hotelaria e Turismo S.A.
Hotel company.

Great Lakes Power Company, Limited
Generation and distribution of electric power in the Sault Ste. Marie area in Northern Ontario.

Companhia de Mineração Jacundá S.A.
Tin mining.

John Labatt Limited
A broadly based food and beverage company with major participation in the brewing, consumer foods and agri-product industries.

Light-Serviços de Eletricidade S.A.
Distribution of electric power in its concession areas which include São Paulo and Rio de Janeiro.

Paratí—Desenvolvimento Turístico S.A.
Resort development.

Promisa Mineração e Prospecções Minerais S.A.
Non-ferrous metals exploration and development.

São Conrado Green
A real estate project involving the construction and marketing of condominium apartments.

Cervejarias Reunidas Skol-Caracú S.A.
Brewing and soft drink production.

Swift-Armour S.A.-Indústria e Comércio
Meat packing and cattle raising.

Triarch Corporation Limited
Financial services.

Western Mines Limited
Copper, lead, zinc, gold and silver mining.

Review of Operations—1976*

The review of operations is divided into three sections: Light-Serviços de Eletricidade S.A.; Investments in Brazil; and Investments in Canada. Each activity represents different investment and management challenges as well as earnings growth opportunities.

Consolidated income for 1976 before extraordinary gains amounted to $102.5 million ($3.87 per ordinary share after preferred dividends) compared to $96.1 million ($3.48 per ordinary share) for 1975.

*The Company's financial statements are expressed in United States currency and all references to dollars in this Review are to United States dollars unless otherwise indicated.

Extraordinary gains in 1976 were $5.5 million ($0.21 per ordinary share) which increased final net income for the year to $108.0 million ($4.08 per ordinary share). In 1975, extraordinary charges of $11.6 million ($0.42 per ordinary share) reduced final net income to $84.5 million ($3.06 per ordinary share). The increase in net income in 1976 compared to the prior year resulted substantially from improvements in the investment and industrial operations as described below.

Consolidated income before extraordinary items, by source and currency, which is set out in detail on page 37, is summarized below.

During 1976 settlement was received for the assets of the São Paulo gas service which were expropriated

SUMMARY OF CONSOLIDATED INCOME

	1976		1975	
	Amount (millions)	$ per Ordinary Share	Amount (millions)	$ per Ordinary Share
Source				
Electric utility—Brazil	$104.0	$4.00	$116.5	$4.21
Investment and industrial operations				
Brazil	9.3	0.35	(16.0)	(0.58)
Canada and other	4.5	0.18	(0.4)	(0.01)
Normal operations	13.8	0.53	(16.4)	(0.59)
Write down of deferred mine development expenditures	(9.8)	(0.38)		
	4.0	0.15	(16.4)	(0.59)
Income before general corporate expenses	108.0	4.15	100.1	3.62
General corporate expenses	(5.5)	(0.21)	(4.0)	(0.14)
Consolidated income before extraordinary items	102.5	3.94	96.1	3.48
Preferred dividends	(1.8)	(0.07)	—	—
	$100.7	$3.87	$ 96.1	$3.48
Currency				
Dollars (see note)	$ 22.0	$0.84	$ 31.6	$1.15
Cruzeiros	78.7	3.03	64.5	2.33
	$100.7	$3.87	$ 96.1	$3.48

Note: The 1976 dollar component of earnings as stated of $0.84 per ordinary share is after deduction of the write down of $0.38 per ordinary share recorded during the year in respect of the Sukunka coal project. Substantially all the expenditures in respect of this project were incurred in prior years.

in 1967. The net compensation received, including interest and monetary correction, exceeded the book value of the assets by $2.9 million. This amount and the gains realized on the sale of investments in Hudson's Bay Company and Commerce Capital Corporation have been shown as extraordinary gains.

Under the legislation governing remittances from Brazil, during the year the Company received all dollar amounts to which it was entitled within existing registrations.

Translation of Cruzeiros to Dollars

Cruzeiro revenues and expenses were translated into dollars in 1976 at the average exchange rate for the year Cr$10.692 (Cr$8.143 in 1975) except for depreciation which was translated at the same rate as that used for translation of the related assets. The year-end rate of exchange was Cr$12.345 as compared with Cr$9.07 at the previous year-end. During the year the external devaluation of the cruzeiro expressed in terms of U.S. dollars was 26.5%, whereas in 1975 the comparable figure was 18.0%. This devaluation contributed to exchange and translation losses recorded during the year of $38.4 million (1975—$25.1 million).

Light-Serviços de Eletricidade S.A.

The Company's principal investment in Brazil is Light-Serviços de Eletricidade S.A.

The Company owns an 83% interest in Light and the remaining minority interest is held by the Banco Nacional de Desenvolvimento Econômico (BNDE) 8.5%; Centrais Elétricas Brasileiras S.A.—Eletrobrás 0.2% and the Brazilian public 8.3%.

The Regulatory System

Under the system, known as "service at cost", which is applicable to all electric utilities in Brazil, the regulatory authority sets customer rates which should produce revenues sufficient to cover: the operating expenses of the service, provision for depreciation and reversion, the allowable return on the rate base at rates from a minimum of 10% to a maximum of 12% per annum, and adjustments for any accumulated deficiency or surplus of operating revenues.

Because rates are based on estimates there may be, in any one year, a surplus or deficiency of operating revenues. Any surplus must be taken into account in establishing rates in subsequent years and is accordingly excluded from current operating revenues and deferred to following years. A shortfall in revenues is recoverable only from future rates and is recorded as operating revenue when received.

On December 24, 1976, a Decree Law applicable to all electric utilities in Brazil was published which, commencing in 1976, changed the method of calculating the rate base by altering the measurement of the cash component thereof. This change reduced Brascan's proportionate share of Light's 1976 net income by $11.0 million.

Prior to 1976, the rate base was substantially determined by reference to the year-end balances of its components. Under regulations issued in December 1975, the rate base, commencing in 1976, is calculated primarily on the average month-end balances of its components. These changes reduced Brascan's portion of Light's net income for 1976 by an additional $10.6 million.

Other regulatory changes introduced and effective in 1975, reduced Brascan's portion of Light's 1976 net income, which it otherwise would have been entitled to, by a further $17.2 million.

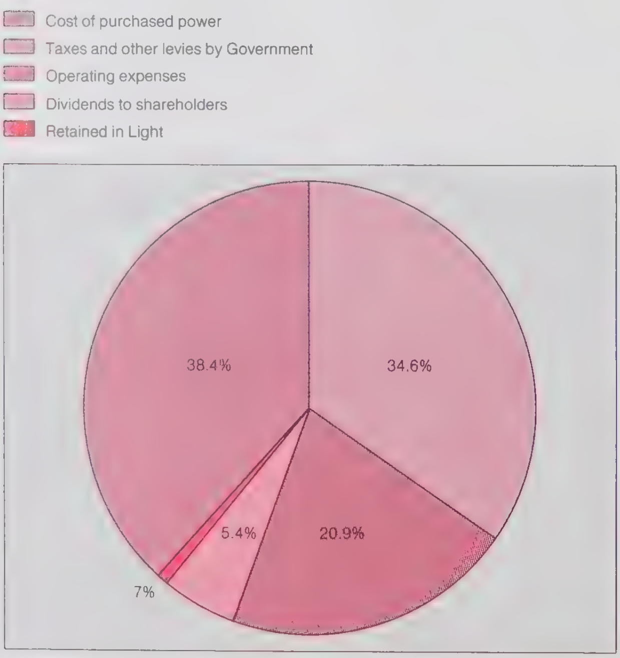
Rates

Under rates established effective January 1, 1976, Light is deemed to have earned the maximum 12% rate of return on its 1976 rate base, adjusted as outlined above, and to have received a surplus of revenues which has been deferred to future years.

Effective January 1, 1977, Light was granted an average rate increase of 36%. Initially Light estimated that this increase would not be adequate to provide the 12% rate of return. In subsequent discussions with regulatory authorities they advised that reductions will be made in certain costs over which they have direct control. After bringing a portion of the surplus revenues deferred from prior years into income, Light should earn the maximum 12% rate of return on its 1977 rate base.

Light's 1976 operating revenues were $1,137 million. Purchased power costs, which are recovered from Light's customers, include government levies as well as substantial amounts which, under government policy, are used for rate equalization in other distribution areas. In addition, Light collected various taxes and other amounts from its customers totalling $379 million which were paid to the government, or its agencies. The total of $1,516 million has been utilized as indicated in the preceding chart.

How the $1,516 million paid by Light's customers is spent



Electric Operations

Net income from Light electric operations was $104.0 million in 1976, a decrease of $12.5 million from $116.5 million in 1975.

In 1976 Light sold its more than 4 million customers 32.3 billion kilowatt hours of electricity, an increase of 11.2% over 1975. Industrial consumption increased by 13.6% over the previous year and accounted for 52.1% of total billings. Sales to the industrial sector have grown at an average compounded rate of 11.1% per annum from 1972 to 1976. Residential billings increased by 10.2% over 1975, to 7 billion kilowatt hours, and the commercial sector was billed for more than 5 billion kilowatt hours, an increase of 6.6%.

Light continues to purchase a large proportion of its electric power requirements from government-owned power companies. In 1976, Light purchased 71.1% of its energy requirements compared with 73.7% in 1975.

Growth of Light's Assets

Since 1966 Light's peak demand has more than doubled and Light has spent a total of $1.3 billion on new facilities in order to meet this growth in demand.

Light has provided facilities to serve annual load increases, to raise the quality of service, and to improve system operations using modern technology. For example, among a number of transformer stations put into service in 1976, Centro, a large station in downtown São Paulo, has a number of unique features. Due to the limited availability of space for locating additional transformer capacity in concentrated urban areas, a new system of electrical insulation for certain components of transformer stations has been incorporated in Centro. A colourless, odourless, non-toxic gas is used as an insulant and

allows stations to be built in as little as one-eighth of the area of a conventional station of equivalent capacity. The station is fed by 230,000 volt underground cable, the first of this voltage to be manufactured in Brazil. It also incorporates 34,500 volt switchgear using the latest type of vacuum circuit breakers manufactured in North America in equipment designed for the first time at this voltage. The station has an initial capacity of 770,000 KVA and will have an ultimate capacity of 905,000 KVA.

Centro is among the first stations of this size and complexity to be put into service in the Western Hemisphere.

The table below shows that over 60% of Light's transmission and distribution facilities are less than 10 years old.

Light has also:

- Converted the frequency of the Rio System from 50 to 60 cycles (the Brazilian standard) to allow interconnection with the national grids.
- In addition to Centro station cited above, started construction on five other transmission and distribution stations using new technology, to reduce cost while increasing safety and esthetics in high density load areas.
- Increased transmission and distribution voltages to provide lower system energy losses and better voltage control.
- Standardized distribution voltages, conductors and circuits to minimize cost.
- Introduced advanced techniques of system design and operation and installed modern equipment to improve both customer service and public safety.

Capital Expenditures and Financing

Light's capital expenditure program for 1977 amounts to $221 million compared with expenditures of $262 million in 1976. As previously reported to shareholders, 1976 expenditures were lower than anticipated due to delivery delays, project deferrals and an agreement whereby Furnas-Centrais Elétricas S.A. assumed the responsibility for certain of Light's capital projects. 1977 planned expenditures have been reduced from previous estimates to reflect the government policy of reducing expenditures in the electric utility sector.

The company anticipates energy sales growth of 6.8% during 1977 compared with an average increase of 10% per annum during the past five years. This projection reflects the forecast reduced rate of growth for the Brazilian energy sector and gross domestic product.

Owing to the limited size of the Brazilian capital market for long-term debt, Light has had to rely almost exclusively on credits from abroad. During

10 YEAR COMPARISON OF THE SYSTEM

		1976	1966	Total added	% of 1976
Peak demand	— megawatts	6,158	2,646	3,512	57.0
Transmission circuits	— kilometres	5,506	3,889	1,617**	29.2**
Transmission stations	— MVA	5,235	1,285	3,950	75.5
Distribution stations	— MVA	7,793	2,677	5,116	65.6
Distribution transformers	— MVA	7,179	2,500	4,679	65.2
Distribution lines	— kilometres of wire	323,636	157,285	166,351	51.4
Customers—net	— thousands	4,173	2,372	1,801	43.2

**does not include substitution of circuit conductors for others of greater capacity.

1976 it placed a $100 million Eurodollar loan (8-year term) guaranteed by the Federative Republic of Brazil, with a group of European and North American banks. The loan was managed by Westdeutsche Landesbank Girozentrale.

Light arranged additional loans in 1976 amounting to $67.0 million including $27.0 million of equipment financing.

In February 1977, Light completed its first public debt issue. The 5-year DM 100 million bond issue (approximately $42 million) bearing an 8½% interest coupon was priced to yield 8.63% per annum. The issue was guaranteed by the Brazilian Government and managed by Westdeutsche Landesbank.

The Investment

For many years Light has made a substantial contribution to Brazil's social and economic progress. In prior years the expansion of Light's facilities has been made possible by realistic rates, good internal cash generation, a low debt/equity ratio, a growing Brazilian economy, and reasonable stability of rate regulation, all of which facilitated the financing of Light's capital program.

In 1973 the world oil crisis sparked a series of events which radically changed the government's outlook. Brazil, which depends on foreign sources for most of its oil, experienced a deterioration of its balance of payments and a recurrence of high internal inflation.

Since 1974 the availability of loans for Brazilian borrowers has contracted, the term (life) of new loans has shortened to 5-8 years and interest rates are relatively higher.

The problem of financing Light's expansion at the level required by the government, resulted in discussions with the Minister of Mines and Energy in early 1975. As a result of the discussions, the government requested that the Company continue to support Light, and promised a federal guarantee for foreign financing. Such guarantees have enabled Light to complete Eurodollar loans totalling approximately $250 million.

In September, 1975 Light filed a major position paper with the authorities which outlined the company's situation and asked for remedial action as soon as possible. In October, 1975 an informal work group was organized to study Light's problems and by November of that year an understanding was reached with the Minister. The understanding called for rate increases on a punctual basis calculated to provide a rate of return of 12% on the rate base; government guarantees on foreign loans; and other credit facilities. In addition it obligated Eletrobrás and the BNDE to take part in future Light capital increases. The Company agreed to reinvest in Light the annual unremittable dividends which it receives in cruzeiros from Light, and to support Light's efforts to raise the required foreign financing.

The above understanding was not, however, recorded in a formal document. Though government guarantees have been made available for foreign financing arranged since that time, no arrangements have been made with the guarantor for standby or rollover credit facilities. Although the deemed rate of return in 1975 and 1976 was maintained at 12%, the actual rate base and remuneration for those years was substantially reduced by the changes in rate regulation referred to above.

Light continues to make representations to the Brazilian Government and will shortly file another position paper with the authorities. Light is seeking formal documentation of the understandings reached in November 1975 as well as revisions to the regulatory system. This is essential if Light is to have the resources required to implement the long-term plans to satisfy its service obligations while fulfilling its responsibilities to employees, creditors and shareholders.

Investments in Brazil

Over the past ten years Brascan has invested in a broad range of activities in Brazil. These areas include investment banking and financial services, consumer and industrial goods and services, natural resources and real estate. These assets had a total book value of $368.9 million as at December 31, 1976.

During the past year there has been a more intensified management participation in certain of the investment areas through Brascan's management investment subsidiary, Brascan Administração e Investimentos Ltda. The subsidiaries' activities have been directed toward the rationalization of investments and greater concentration of resources in those investments considered to have the most potential.

In relation to 1975, 1976 showed significant improvement in Brascan's investment group operations both in terms of operating results and in discontinuing unprofitable operations. Brascan's investment group in Brazil showed a net income of $9.3 million on operations in 1976 compared to a 1975 loss of $16.0 million.

A summary of the investment and income by segment is shown below:

Investment	December 31 1976	1975
	(in millions of dollars)	
Financial services	$205.9	$167.9
Real estate	31.4	26.1
Consumer and industrial goods and services	45.1	49.2
Natural resources	4.6	3.0
Other assets	81.9	70.6
	$368.9	$316.8
Brascan equity	$197.2	$177.4

Income	1976	1975
	(in millions of dollars)	
Income (loss) by segment before unallocated expenses:		
Financial services	$ 7.9	$ 6.8
Natural resources—		
Mining operations	0.2	0.3
Mineral exploration	(2.2)	(1.5)
Real estate	2.2	1.2
Consumer and industrial goods and services	8.4	(1.1)
Interest under telephone sale agreement	3.2	3.4
Other income—net	0.9	1.3
	20.6	10.4
Discontinued operations	(1.5)	(7.7)
Net loss on disposals	(1.4)	(7.2)
	17.7	(4.5)
Expenses not allocated by segment:		
General and administrative	(6.3)	(5.9)
Income and withholding taxes	(2.1)	(5.6)
Net income (loss)	$ 9.3	$(16.0)

FINANCIAL SERVICES

Banco Brascan, the major company in the financial services group, continued to show growth in all areas of operations.

The Bank offers a full range of investment banking services to commercial clients and government through offices in Rio de Janeiro, São Paulo, Recife, Brasília and Pôrto Alegre. Emphasis continues to be on short and medium-term lending activities, money market operations and fund and portfolio management.

Other financial services operations include consumer credit, leasing and insurance brokerage.

For the year ending December 31, 1976, financial services consolidated income before taxes rose to

$7.9 million (1975–$6.8 million). The group had total assets of $205.9 million at year end, an increase of $38 million, representing a 22.6% increase over the previous year. Money market operations handled in 1976 amounted to the equivalent of $43.4 billion as against $16.3 billion in 1975. At year-end the total market value of investment funds and portfolios managed was $11.5 million compared to $9.2 million at the end of 1975.

CONSUMER & INDUSTRIAL

Swift-Armour

Swift-Armour, one of Brazil's major meat exporters, had sales for the year ended December 31, 1976 of $154.7 million. This is a 5.7% decrease over the previous year. Exports accounted for 42.0% of total sales in 1976.

The Company and CAEMI, a Brazilian investment group, hold through a joint venture, a 92% interest in Swift-Armour. This company and its associate companies operate four meat packing plants as well as substantial ranch lands. The cattle on these lands provide not only a portion of raw material supplies for processing, but also constitute part of the breeding programs to improve the quality of cattle in Brazil.

The Company's share of Swift-Armour's profits for the year ended December 31, 1976 was $3.9 million compared with a loss of $5.5 million in 1975. The earnings improvement is attributed to the discontinuance of unprofitable grain trading operations, increased profits on sales of processed goods in the domestic market, improvements in cattle supplies and slightly higher margins on exports.

Skol-Caracú S.A.

Brascan is an equal partner with John Labatt Limited in a holding company which owns 77.1% of Skol-Caracú, Brazil's third largest brewing company. Skol-Caracú also produces and distributes soft drinks.

Skol-Caracú sales for the year ending December 31, 1976 were $71.1 million an increase of 32.2% over 1975, representing a volume increase of 27%. The Company's share of net income was $0.8 million compared to $0.5 million in 1975.

The company's major undertaking over the past few years has been to increase its productive capacity and its share of the market. These efforts combined with pressures on margins resulting from government price controls and the high prices of imported malt have affected profitability.

Skol-Caracú operates six breweries with a total annual capacity of 2,270,000 hectolitres. The completion of a new brewery in São Paulo will increase capacity by almost 50% to 3,350,000 hectolitres.

The new brewery is the major factor in the company's current $35 million expansion program. With the market growing on an average of 6% per year, a continuing expansion program is foreseen for Skol-Caracú. The extra capacity and reduction in freight costs to the large São Paulo market should significantly improve profits.

FNV

Brascan holds a 31.5% interest in FNV, a leading producer of railroad equipment, heavy stampings, truck and bus chassis members, steel castings, and excavators.

To alleviate the impact of the world-wide petroleum crisis, Brazil is reducing its dependence on truck transportation by expanding railroad facilities.

In 1974 the Brazilian Government announced a four-year re-equipment program for the country's railroad system which has resulted in a high level of activity for FNV.

In 1976, sales were $94.2 million, an increase of 28.7% over 1975's $73.2 million. Net profit for 1976 was $11.3 million compared to $14.0 million in 1975. The high level of sales is expected to decline in 1977 with the reduction of government capital expenditure programs in line with measures to reduce the rate of inflation. As a consequence, the Company is actively engaged in a diversification program to reduce its dependence on government purchases of railway equipment. In 1976 FNV formed a joint

venture with Fruehauf Corporation of the United States in which FNV holds a 63% interest, to produce the Fruehauf line of truck trailers.

Embrasca

By the end of 1976 some 38,000 acres of land had been cleared and reforested with pine under a joint venture forest plantation project with MacMillan Bloedel Limited of Vancouver, Canada.

Embrasca expects to plant 120,000 acres by 1982—enough to maintain a pulp-mill complex on a sustained yield basis. The project was started in 1974.

The high growth rates in Brazil, the economics of tree plantation and harvesting compare favourably with experience in other parts of the world. However, the overall profitability of any forest project must be kept under continuous review to ensure that the return on investment is adequate.

REAL ESTATE

The 500-room Inter-Continental Hotel on Gávea Beach, Rio de Janeiro, is 60% owned by the Company and operated by a partner, Inter-Continental Hotels Corp., a subsidiary of Pan American World Airways. The hotel is enjoying an increasing level of occupancy.

The construction of the São Conrado Green condominium apartment complex situated on land adjacent to the hotel is proceeding according to schedule. Brascan has a 67% interest in this 360 apartment unit project. All the units in the five building complex have been sold.

Plans for proposed additional commercial development for the remaining lands are being prepared.

Work is proceeding on the resort development near Paratí on the coast mid-way between Rio de Janeiro and Santos. Brascan has a 49% interest in this project.

NATURAL RESOURCES

Promisa, a wholly-owned subsidiary of Brascan, is a mining exploration and development company working mainly in the alluvial sector.

In addition to Brascan's 60% owned tin mine, Jacundá, which produced 392 metric tons of fine tin in 1976 compared to 444 metric tons in 1975, Promisa is investigating other tin opportunities in the northwest of Brazil.

Other metallic and non-metallic mineral possibilities are being examined including a diamond deposit in Mato Grosso. Promisa's exploration expenditures for the year were $2.2 million.

The company also manages a copper development project at Pedra Verde which it owns jointly with a Brazilian Government agency.

CHANGES IN INVESTMENTS

As noted earlier, Brascan recognizes that its investments in Brazil should be relatively large, profitable and in sectors which would be beneficial to the development of the Brazilian economy.

The Caravelas Frutas Tropicais S.A. nursery development and experimental production of pineapples for a planned canning factory in Bahia has been discontinued. Management decided to end the project following a detailed assessment of plant disease control costs in consultation with recognized international and Brazilian agricultural authorities.

The Company's interest in Metal Forty S.A., the sardine cannery operation has been sold.

The Company has concluded negotiations to sell its 50% interest in Delmar-Produtos do Mar S.A., a lobster fishing, packing and freezing operation to Brazilian interests.

Losses of discontinued operations and on the disposal of the companies concerned totalled $2.9 million.

Investments in Canada

The year saw a maturing of the Company's diversification and investment program started in 1967. Results from operations of subsidiary and associated companies improved from a loss of $.4 million in 1975 to a net income of $4.5 million in 1976 before the $9.8 million write down in respect of Sukunka as previously reported and outlined in more detail below.

During the year the Company adopted the equity accounting method for its investments in companies in which significant influence exists. The effect of this change is to include in Brascan's income its proportionate share of the earnings of John Labatt Limited and Canadian Cablesystems Limited rather than dividends received. This change was made to reflect the influence which Brascan has in respect of these investments and to recognize on a more timely basis the contribution of these investments to Brascan.

During the year the Company also changed its policy in respect of mineral exploration and development costs. Previously such costs were capitalized until a project was abandoned. Under the new policy, such costs will be expensed as incurred on a given project until an economic orebody is defined. Subsequent costs related to such projects will be capitalized. The new policy is consistent with that of comparable Canadian mining companies.

Both of these changes have been adopted on a retroactive basis. The effect of these changes is to increase 1976 income by $5.6 million ($0.22 per ordinary share) including an extraordinary item of $0.6 million (1975—$1.1 million, $0.04 per ordinary share).

A summary of the investment and income by segment is shown below:

Investment	December 31 1976	1975
	(in millions of dollars)	
Natural resources	$118.2	$103.4
Consumer goods and services	76.2	80.4
Electric utility	66.4	62.1
Financial services	14.3	9.7
Other corporate assets	72.9	44.5
	$348.0	$300.1
Brascan equity	$154.8	$114.0

Income	1976	1975
	(in millions of dollars)	
Income (loss) by segment before unallocated expenses:		
Electric utility	$ 5.5	$ 5.7
Natural resources—		
Oil and gas operations	5.7	2.3
Mining operations	2.7	
Mineral exploration	(2.8)	(1.7)
Financial services	(0.1)	0.1
Consumer goods and services	6.5	4.0
Other income—net	3.0	2.5
	20.5	12.9
Discontinued operations		(1.3)
Loss on disposal		(1.5)
	20.5	10.1
Expenses not allocated by segment:		
Interest on long-term debt	(11.2)	(9.6)
Minority interest	(2.4)	(0.4)
Income taxes	(2.4)	(0.5)
Net income (loss)	$ 4.5*	$(0.4)

*Before Sukunka write down

NATURAL RESOURCES

Brascan Resources Limited

Brascan Resources Limited, the Company's oil, gas and mineral subsidiary had continued success in its natural gas exploration and development program. Income for the year before interest and taxes in this segment increased to $5.6 million from $0.6 million in 1975.

Oil and Gas

Cash flow from oil and gas operations increased from $3.4 million in 1975 to $8.5 million in 1976 reflecting the success of the shallow gas program and increased prices for natural gas and crude oil.

Oil and natural gas rights owned by Brascan and its affiliates total 12.1 million gross acres of which Brascan's net share is 3.0 million acres. In 1976, Brascan Resources participated in 79 gross wells in Alberta, of which 4 were royalty interest wells.

Drilling Activity	Oil	Gas	Dry	Total
Gross wells	1	54	20	75
Net wells	1.0	39.8	11.5	52.3
Royalty interest	—	1.0	3.0	4.0

At December 31, 1976, estimated recoverable oil and gas reserves were as follows:

	Proven Reserves	
	Crude oil & natural gas liquids	Sales gas
	(Millions of Bbls.)	(Billions of Cu. Ft.)
1976	2.9	253.6
1975	2.9	233.1

Gas quantities are now being reported as "sales gas" rather than "gross gas" used previously since sales gas figures provide more accurate representation of the volume of natural gas which will ultimately be sold. In determining sales gas, allowances are made for that portion of gross raw gas which will be recovered as natural gas liquids. The volumes of natural gas liquids have been included with the reserves of crude oil.

New discoveries of natural gas in 1976 are estimated to be 62.5 billion cubic feet (Bcf). A net increase in proven reserves of sales gas of 20.5 Bcf was achieved after allowance for 1976 production and adjustments in previously discovered reserves.

Production

During 1976 several gas plants were expanded and plant capacity more than doubled from 24 to 50 million cubic feet per day. Natural gas production showed a corresponding increase from 5.5 Bcf to 10.6 Bcf. Net sales of the oil and gas division were $8.0 million in 1976 as compared to $2.7 million in 1975.

Exploration

Exploration programs were again concentrated in the Province of Alberta with emphasis on the development of natural gas. This type of program has been stimulated by the favourable gas price structure in Alberta and the market demand for natural gas which existed during the first half of 1976.

The major project was the shallow gas exploration and development program in east central Alberta which found several new gas accumulations similar to the Hairy Hills/Willingdon area brought on stream in 1975. During 1976, additional land was obtained in the same area through purchases of mineral rights from the Province of Alberta and joint participation with other operators whereby Brascan Resources drilled wells to earn an interest in the exploratory acreage. In 1976, Petroleum Division exploration expenditures totalled Can. $8.4 million compared to Can. $7.7 million in 1975.

Brascan Resources holds a 12.3% interest in the Hutchison Block in the Beaufort Sea, which was drilled last summer by Dome Petroleum Limited. It is expected that additional drilling will be conducted on this acreage in 1977. Brascan's interest could be reduced to 6.1% if Dome exercises certain options and drills up to 4 wells.

Coal and Industrial Minerals

In May, 1976 the Company determined not to exercise its Sukunka coal project option in northeastern British Columbia. Accordingly, the carrying value of the interest in the project was reduced to its estimated residual value (including estimated future income tax benefits) and a charge of $9.8 million was made against income. The Company continues to hold 12½% working interest in the project.

Subsequent to the year end, BP Canada Limited entered into an agreement with Brameda Resources Limited to acquire, subject to Federal Investment Review Agency approval, the remaining 87.5% interest in the 41 Sukunka licences in which Brascan Resources retains its 12.5% interest.

Brascan Resources is discussing the sale of certain of its thermal coal rights to Calgary Power Limited. These rights are in the Sundance/Keephills area in Alberta, where it is estimated that there are 100 million tons of coal recoverable by open cast mining.

Western Mines Limited

During 1976 Western Mines Limited purchased a substantial portion of Brascan Resources' interests in various mineral properties for Can. $580,500 payable in treasury shares. This transaction facilitated the consolidation of the mineral exploration programs of the two companies. Later in the year Brascan Resources increased its ownership of Western Mines Limited to 50.4%.

Net smelter return for 1976 was Can. $15.7 million compared to Can. $14.6 million in 1975; however, mine operating costs increased from Can. $30.04 per ton in 1975 to Can. $34.07 per ton in 1976, reflecting inflationary pressures, a higher percentage of ore mined from underground and greater expenditures on mine exploration and development.

Ore Reserves

Although production in 1976 was 297,000 tons, proven ore reserves at the Myra and Lynx mines declined by only 27,300 tons as new reserves added almost equalled production. Proven reserves now stand at 1,704,000 tons and the grade remains unchanged.

Outside Exploration

In 1976, Can. $2.5 million was spent on outside exploration projects. A total of 73,602 feet of exploration drilling was carried out on the Great Slave Reef and West Reef projects, Pine Point, N.W.T., a joint venture with Du Pont of Canada Exploration Limited. To date this work indicates ore reserves of 2,800,000 tons grading 11.9% zinc and 4.1% lead.

The principal areas of outside exploration activity will continue to be the Great Slave Reef, West Reef and uranium projects. Additional joint venture negotiations are in progress to ensure the maximum exposure possible for the company in mineral exploration activity.

UTILITY

Great Lakes Power

Income before interest and taxes from electric operations of Great Lakes Power at Sault Ste. Marie, Ontario, was $5.5 million in 1976, a decrease of $0.2 million from $5.7 million in 1975. This decrease in earnings was due to record drought conditions experienced in the drainage basins in which the Company has its major generation. River flows averaged only 30% of normal for the last seven months of the year. This resulted in the necessity to purchase $2.1 million more energy than was planned for the year.

In 1976 GLP sold 1.9 billion kilowatt hours to its 8,350 customers, an increase of 12.6% over the 1.7 billion kilowatt hours sold in 1975.

FINANCIAL SERVICES

The Company's financial services subsidiary, Triarch Corp. Limited, expanded the scope of its financing operation to include natural resources in 1976. Its subsidiary, Elliott and Page, one of the largest investment management firms in Canada, continued to show satisfactory results.

CONSUMER

John Labatt Limited

Gross sales for the six months ended October 31, 1976 were Can. $484.3 million an increase of 12.1% over the Can. $432.1 million reported for the same period a year ago. Net earnings for the six months increased 18.3% to Can. $16.2 million versus Can. $13.7 million a year ago.

After providing for dividends on preferred shares, net earnings were Can. $1.44 per common share compared with Can. $1.30 for the same period last year, on a fully diluted basis.

For the year ended April 30, 1976, gross sales were Can. $837.2 million compared with Can. $727.5 million for the previous year, an increase of 15.1%. Earnings before an extraordinary item of income increased 9.7% to Can. $24.3 million from Can. $22.2 million for the previous year.

All areas of the company's operations, brewing, consumer products, and the agri-products group showed profit growth.

Canadian Cablesystems Limited

In the three months ended November 30, 1976 revenue from cable service was Can. $6.2 million, an increase of 12.8% over the same period in 1975. Net earnings for the three months were Can. $1.6 million (Can. $0.39 per share) compared to Can. $1.7 million (Can.$0.42 per share) in the corresponding period last year.

Net earnings before extraordinary items for the year ended August 31, 1976 were Can. $9.4 million compared with Can. $5.9 million for the previous year. Net earnings per share were Can. $2.36 as compared with Can. $1.49 for the previous year before extraordinary items.

The source of net earnings was: cable operations–Can. $3.1 million (1975–Can. $2.5 million); Famous Players Limited, theatre operations and rental properties–Can. $2.3 million (1975–Can. $1.9 million) and Famous Players Limited, real estate sales–Can. $4.0 million (1975–Can. $1.5 million).

Revenues from cable operations for 1976 reached Can. $22.9 million, an increase of 22% over 1975. Subscribers of wholly-owned systems increased by 5% during the year, while revenue per subscriber increased by 16%. This significant increase in revenue per subscriber is attributable to both rate increases and the sale and rental of converters to subscribers. By year-end converter penetration had reached 13% of subscribers on service.

Corporate Responsibility

Brascan is well aware that its future rests not only on the profitability of business operations but also in the social responsibility it assumes for the benefit of its employees and the societies in which it functions. Responsibility to society for the impact of corporate economic actions is reflected in the Company's activities in Brazil.

At the employee level, this is evident in the dimensions of the plans to provide employees and their families with medical, educational and social facilities in addition to the normally accepted benefits.

The scope of the Company's responsibility for its employees in Brazil would be considered broader than is common to industrial operations in North America. Light for example, has complete medical diagnostic clinics for its 31,000 employees and their families in Rio de Janeiro and São Paulo. In 1976, these clinics, staffed by company medical and paramedical personnel, handled approximately 146,000 employee and family cases which included preventive medicine, general and specialized practice.

Education has long been a major area for Brascan's social investment in Brazil. This is in accordance with the Company's philosophy that the expansion of business and industry can occur only when capital is combined with the skills of people. Employees are encouraged to improve their skills by the opportunity for advancement within the company through further education. Light's education spectrum ranges from primary through secondary schools for employees, to on-the-job employee training and trade apprenticeship programs.

In the field of staff development, over 4,000 of Light's personnel took part in courses and 2,400 technicians were trained to qualification standard last year. These are only two of a wide range of high-quality education programs available to Light employees.

In common with isolated resource industry developments in many countries, Brascan's associated tin mining company at Jacundá in the remote northwest of Brazil includes housing, education, health and recreational facilities.

In the area of environmental concern, one of Brascan's associated companies, Swift-Armour S.A., is undertaking a unique soil cultivation project in the Amazon Basin as part of its land development program. Through soil preservation and the application of ecological techniques, the project is seeking alternatives to the destruction of soil nutrients which cause desert wastelands as sections of the Amazon rainforest are cleared.

Brascan also sponsors long-term agricultural research programs in the drought-prone and underdeveloped north-east region of Brazil. Through Brascan Nordeste, a non-profit foundation, funds are provided to stimulate improvement in crop yields and food production in the area through the application of modern agricultural technology. An independent council of local, well-qualified Brazilians selects and approves projects for funding.

Brascan Nordeste's first major project has been the development of high yield varieties of manioc—a root vegetable which constitutes a basic food staple in the area. Manioc is also used for starch, animal feed and alcohol production.

The study is being undertaken with the University of Bahia (Brazil) cooperating with the world-wide manioc program sponsored by the Canadian International Development Agency and the University of Guelph (Canada). Research and experimentation are developing new varieties and improved methods of cultivation. Results indicate the possibility of raising, in a relatively short time, local farmers' average yields by over 300%.

In co-operation with Brazilian Government agencies, other projects have included research in corn, onions, tropical fruit and tomato cultivation, as well as in shrimp farming in the coastal area.

A new research project is being carried out in the São Francisco River Valley with the objective of producing grain from irrigated farm land. If successful, this will materially improve the capability of the area to produce its own food.

Brascan's sole objective for the Brascan Nordeste projects is the increased economic well-being of the local people through the application of modern agricultural technology. Brascan Nordeste is one of a very few privately-financed research agencies in Brazil.

Brascan realizes that social and economic progress must go forward together and is dedicated to assume its share of this responsiblity, working together with the people of the areas where it has a presence.

Brascan also believes that it is the responsibility of all countries to create a social and economic environment that will permit the private sector, domestic or foreign, to fulfill all of its obligations to consumers, suppliers, employees, investors and the community at large.

Summary of Accounting Policies

The accounting policies of the Company conform with accounting principles generally accepted in Canada. A summary of these policies is presented below to assist the reader in evaluating the financial statements and other data contained in this report.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and all its majority-owned subsidiaries. Acquisition costs of each purchased subsidiary are allocated to that subsidiary's identifiable net assets on the basis of the lower of cost to the Company and estimated fair values at the date of acquisition with any excess being carried as goodwill; such goodwill, included in sundry assets on the balance sheet, is amortized over its estimated life (not exceeding 40 years) subject to writing off additional amounts where it is estimated that the value of the unamortized balance has been permanently impaired.

Basis of accounting for non-consolidated long-term investments

The Company accounts for its investments in corporate joint ventures and effectively controlled non-subsidiary companies on the equity method.

In addition, in 1976 the Company adopted the equity accounting method for investments in companies in which significant influence exists. In prior years, these investments—John Labatt Limited (29% interest) and Canadian Cablesystems Limited (26% interest)—were carried at cost.

The change in basis of accounting for such non-subsidiary companies has been given retroactive effect, and accordingly, the Company's share of profits since aquisition has been recorded in prior years' income and retained earnings. The effect of this change is described in note 4 to the financial statements.

Under the equity method, investments are carried on the balance sheet at cost plus the related share of undistributed earnings. The Company's share of annual net earnings is computed in the same manner as for consolidated subsidiaries (including amortization of any goodwill arising from acquisitions made after April 1, 1974) and is reflected currently in income rather than when realized through dividends.

The Company carries its other investments at cost, less any amounts written off in recognition of a permanent decline in value.

Translation of foreign currencies

The Company's financial statements are expressed in United States dollars. Assets, liabilities, revenues and expenses in currencies other than United States dollars have been translated into United States dollars substantially as follows:

(a) Current assets, other than inventories, and current liabilities at the rates of exchange prevailing at the balance sheet date;

(b) Long-term debt at the rates prevailing when the proceeds were converted;

(c) Other assets and liabilities at rates prevailing when they were acquired or incurred;

(d) Revenues and expenses at average rates for the period except for depreciation, depletion and amortization provisions, which are at the rates used for translation of the related assets.

When the cruzeiro is devalued relative to the United States dollar, the application of the above translation procedures gives rise to exchange losses (with respect to cruzeiro current assets) and exchange gains (with respect to cruzeiro current liabilities). The net amounts of such gains and losses, together with similar adjustments with respect to other currency balances held by the Company or its subsidiaries, are included in income as foreign exchange adjustments.

Income and withholding taxes

The Company accounts for income and withholding taxes on the tax allocation basis.

Full provision has been made (in current liabilities) for withholding taxes on inter-company interest accrued and on subsidiaries' earnings to the extent that distribution of such earnings by way of cash dividends is expected in the following year.

Electric utility operations—Brazil

(a) Revenue recognition—

The regulatory system, known as "service at cost", involves setting customers' rates for electricity at a level which should produce operating revenues sufficient to cover:

(i) operating expenses of the service,
(ii) provisions for depreciation and reversion (see below),
(iii) the allowable return on the rate base, at rates from a minimum of 10% to a maximum of 12% per annum, and
(iv) adjustments for prior years' accumulated deficiency or surplus, if any, of operating revenues.

The main components of the rate base are plant in service (at depreciated net book value in cruzeiros monetarily corrected by annual co-efficients to compensate for the inflationary decline of the currency) and an allowance for working capital. (See note 1(a) to the financial statements.)

Electric rates are established periodically based on forecasts of costs, sales volume and the rate base. These estimates are filed with the regulatory authority as part of the application for rate revision. New rates come into force after review of the application and approval or modification by the regulatory authority. Because rates are based on estimates there may be, in any one year, some surplus or deficiency of operating revenues. If there is a surplus (i.e., when revenues exceed the cost of service), this amount must be taken into account in establishing rates in subsequent years, and is accordingly excluded from current operating revenues and deferred to such subsequent years. If there is a shortfall in revenues, the deficiency is recoverable only from future rates and is recorded as operating revenues when received.

Operating revenues include estimated electrical energy delivered to consumers in the year, but unbilled at the end of that year, at rates in effect when delivered.

(b) Depreciation and accumulated amortization—

Depreciation has been provided at the rates prescribed by the regulatory authority (being approximately 3% of monetarily corrected cruzeiro depreciable plant on a straight-line basis).

The provision for amortization (accumulated prior to 1953) may be required to cover part of the undepreciated cost of certain utility properties upon their reversion or other transfer to the conceding authorities.

(c) Reversion—

Regulations require that certain funds (known as reversion funds) generated by the rates (and computed at an annual rate, as determined by the regulatory authority, of up to 5% of gross monetarily corrected cruzeiro plant) be paid on a current basis to Eletrobrás, the federal power agency, to be used in partial settlement of the compensation upon ultimate reversion of the plant to the conceding authorities and/or as a pool of funds to help finance electric utility expansion programs throughout Brazil.

In 1971 and prior years, the Company's electric subsidiary was permitted to retain and invest these reversion funds, together with the interest thereon, in additions to plant which form a part of the rate base for calculating the allowable return. These funds are shown as accumulated reversion on the consolidated balance sheet.

This accumulated reversion is not repayable, but would be deducted from the value of the utility assets upon reversion to the conceding authorities. Interest at the rate of 10% computed on accumulated reversion after annual monetary correction, is payable on a current basis to Eletrobrás.

(d) Allowance for interest on funds used in construction—

For 1976 interest has been charged to construction work in progress and credited to income at the rate of 10% as provided by current regulations. In 1975 this rate was a weighted average of the interest rates on loan funds and the minimum allowable rate of return (see (a) above) on internal funds employed to finance construction during the year.

For 1975 and prior years this rate was applied to the year-end balance of construction work in progress. In 1976 the applicable rate has been applied to the month-end balances (see note 1(a) to the financial statements).

(e) Customers' contributions for line extensions—

Regulations call for the costs of certain line extensions and new connections to be borne by the consumer. Such costs are included in property, plant and equipment and the related cost recoveries are shown as customers' contributions for line extensions. These contributions are not repayable and do not bear interest, but are deducted in determining the rate base upon which the allowable return is calculated and its value upon reversion to the conceding authorities.

(f) Retirements—

Profits or losses on normal disposals of utility property, plant and equipment are credited or charged to accumulated depreciation.

Electric utility operations—Canada

(a) Depreciation—

Depreciation has been provided on the cost of depreciable electric utility plant at a rate of 2½% on a straight-line basis.

(b) Allowance for interest on funds used in construction—

Interest is charged to construction work in progress and credited to income at a rate approximating the current cost of borrowed funds.

(c) Retirements—

Profits or losses on normal disposals of property, plant and equipment are credited or charged to accumulated depreciation.

Natural resource operations

(a) Oil and gas properties—

The Company follows the full cost method of accounting whereby all costs associated with exploration for and development of oil and gas reserves are capitalized and charged against income as set out below. Such costs include land acquisition costs, geological and geophysical expenditures, carrying charges of non-producing property, costs of drilling both productive and non-productive wells, and overhead expenses related to exploration and development activities. The costs are accumulated in cost centres as follows:

(i) North America (excluding the Arctic)

(ii) The Arctic

(iii) Foreign areas

Depletion is provided each year on costs accumulated in the North America cost centre in the proportion that the year's production of oil and gas bears to proven reserves (the composite unit of production method). Expenditures incurred in the Arctic and in foreign areas are being deferred pending the results of exploration still in progress in each area. These costs will be depleted, by cost centre, on the basis of reserves discovered in each area, or written off to income if exploration activities prove unsuccessful or the area is abandoned.

(b) Oil and gas plant and equipment—

Oil and gas plant and equipment costs are depreciated on the unit of production basis.

(c) Mineral exploration costs—

In 1976 the Company adopted the practice of charging to income mineral exploration costs (including acquisition costs, exploration and development expenditures and related overhead) pertaining to individual mineral prospects (excluding hydrocarbons) as they are incurred until such time as an economic orebody is defined. In prior years the Company's policy had been to capitalize such costs until such time as it was determined whether commercially exploitable reserves existed and to charge income with costs associated with unsuccessful or abandoned prospects.

This change in accounting policy has been given retroactive effect as described in note 4 to the financial statements.

(d) Coal and other properties—

Until the commencement of commercial production, the Company carries such properties at cost, less any amounts written off in recognition of a permanent decline in value.

(e) Mine plant and equipment—

The Company amortizes the cost of such facilities including amounts capitalized under (c) above on the unit of production basis.

Other operations

Depreciation—

Depreciation of equipment and other physical property and amortization of leasehold improvements are provided at various rates calculated to extinguish the related book values over their estimated useful lives.

Statement of Consolidated Income

FOR THE YEARS ENDED DECEMBER 31	1976	1975
(Expressed in thousands of United States dollars)		(note 4)
Electric utility—Brazil:		
Operating revenues (note 1)	**$1,137,617**	$1,016,131
Operating revenue deductions—		
Purchased power	**582,865**	494,668
Salaries, wages and other operating expenses	**236,219**	215,342
Depreciation	**48,610**	43,426
Reversion	**93,774**	66,510
	961,468	819,946
Operating income	**176,149**	196,185
Income deductions—		
Interest on long-term debt	**35,083**	26,368
Reversion interest	**18,591**	18,778
Allowance for interest on funds used in construction	**(16,584)**	(15,653)
Interest expense—net	**37,090**	29,493
Income on short-term investments	**(31,821)**	(12,111)
Foreign exchange adjustments	**14,583**	5,316
Equity of minority shareholders	**23,498**	26,721
Income and withholding taxes (notes 1 and 3)	**28,748**	30,221
	72,098	79,640
Net electric utility income—Brazil (note 1)	**104,051**	116,545
Investment and industrial operations (per statements attached):		
Brazil	**9,250**	(15,971)
Canada and other—		
Normal operations	**4,548**	(415)
Write down of deferred mine development expenditures (note 10)	**(9,800)**	
Investment and industrial operations income (loss)	**3,998**	(16,386)
Income before general corporate expenses	**108,049**	100,159
General corporate expenses	**5,526**	3,990
Income before extraordinary items	**102,523**	96,169
Extraordinary items (notes 7 and 12)	**5,477**	(11,639)
Net income for year	**$ 108,000**	$ 84,530
Average number (in thousands) of ordinary shares (Class A and Class B) outstanding for year (note 14)	**26,012**	27,648
Earnings per ordinary share (after preferred dividends):		
Income before extraordinary items	**$ 3.87**	$ 3.48
Extraordinary items	**.21**	(.42)
Net income for year	**$ 4.08**	$ 3.06

(See accompanying summary of accounting policies and notes)

Statement of Consolidated Investment and Industrial Operations Income—Brazil

FOR THE YEARS ENDED DECEMBER 31	1976	1975
(Expressed in thousands of United States dollars)		(note 4)
Income (loss) by segment before unallocated expenses:		
Financial services	**$ 7,887**	$ 6,816
Natural resources—		
Mining operations	**221**	332
Mineral exploration	**(2,159)**	(1,540)
Real estate	**2,205**	1,161
Consumer and industrial goods and services—		
Equity in income of corporate joint ventures	**8,391**	(1,112)
Interest under telephone sale agreement	**3,160**	3,398
Other income—net	**854**	1,346
	20,559	10,401
Discontinued operations (note 16)	**(1,482)**	(7,743)
Net loss on disposals (note 16)	**(1,452)**	(7,193)
	17,625	(4,535)
Expenses not allocated by segment:		
General and administrative	**(6,254)**	(5,900)
Income and withholding taxes	**(2,121)**	(5,536)
Total income (loss)	**$ 9,250**	$(15,971)
The gross operating revenue by segment is as follows:		
Financial services	**$ 56,553**	$ 46,644
Natural resources—mining operations	**3,035**	2,948
Real estate	**17,966**	2,149
Consumer and industrial goods and services—		
Discontinued operations	**5,624**	26,729
	$ 83,178	$ 78,470
The following expenses have been deducted in arriving at income (loss) before unallocated expenses:		
Interest	**$ 21,867**	$ 21,634
Depreciation, depletion and amortization	**1,755**	1,666
Amortization of goodwill	**176**	1,162
Minority interest	**906**	1,179
Foreign exchange adjustments	**23,857**	19,759

(See accompanying summary of accounting policies and notes)

Statement of Consolidated Investment and Industrial Operations Income— Canada and Other

FOR THE YEARS ENDED DECEMBER 31	1976	1975
(Expressed in thousands of United States dollars)		(note 4)
Income (loss) by segment before unallocated expenses:		
Electric utility	**$ 5,474**	$ 5,729
Natural resources—		
Oil and gas operations	**5,720**	2,279
Mining operations	**2,666**	
Mineral exploration	**(2,792)**	(1,668)
Financial services	**(95)**	45
Consumer goods and services—		
Subsidiaries	**(2,083)**	(880)
Equity in income of long-term investments	**8,546**	4,918
Other income—net	**3,028**	2,518
	20,464	12,941
Discontinued operations		(1,276)
Loss on disposal		(1,500)
	20,464	10,165
Expenses not allocated by segment:		
Interest on long-term debt	**(11,151)**	(9,600)
Minority interest	**(2,365)**	(439)
Income taxes—		
Current	**(461)**	(107)
Deferred	**(1,939)**	(434)
Total income (loss)	**$ 4,548**	$ (415)
The gross operating revenue by segment is as follows:		
Electric utility	**$25,081**	$18,918
Natural resources	**27,347**	5,337
Financial services	**1,771**	400
Consumer goods and services	**9,094**	3,999
Discontinued operations		29,492
	$63,293	$58,146
The following expenses have been deducted in arriving at income (loss) before unallocated expenses:		
Interest	**$ 489**	$ 363
Depreciation, depletion and amortization	**6,349**	3,378
Foreign exchange adjustments	**1,664**	198

(See accompanying summary of accounting policies and notes)

Statement of Changes in Consolidated Financial Position

FOR THE YEARS ENDED DECEMBER 31	1976	1975
(Expressed in thousands of United States dollars)		(note 4)
Funds provided:		
Operations, after deducting dividends paid to minority shareholders (1976–$17,586; 1975–$14,915)	**$150,644**	$149,890
Long-term borrowings	**206,086**	164,365
Shares issued net of expenses	**34,922**	446
Proceeds on sale of investments	**17,459**	
Net settlement on gas company assets	**8,913**	
Net funds arising (used) on acquisition of subsidiary—Canada	**7,002**	(13,209)
Sale of property, plant and equipment	**4,934**	2,185
Current portion of sale price of telephone utilities	**4,390**	4,142
Decrease in utility materials and supplies	**4,143**	5,631
Miscellaneous changes in various assets and liabilities	**4,121**	(13,174)
	442,614	300,276
Funds used:		
Expenditures on property, plant and equipment—		
Utility—Brazil	**261,725**	233,917
Other	**14,920**	12,902
Reduction in long-term debt	**40,473**	25,285
Dividends	**27,732**	27,643
Long-term deposit receipt	**29,748**	
Long-term receivable resulting from sale of subsidiary		14,191
Increase in non-utility investments	**8,107**	11,502
	382,705	325,440
Increase (decrease) in net current assets	**59,909**	(25,164)
Net current assets at beginning of year	**6,217**	31,381
Net current assets at end of year	**$ 66,126**	$ 6,217

(See accompanying summary of accounting policies and notes)

Consolidated Balance Sheet

DECEMBER 31	1976	1975
(Expressed in thousands of United States dollars)		(note 4)
Assets		
Current assets (per statement attached):		
Brazil	$ 400,070	$ 319,892
Canada and other	81,917	49,774
	481,987	369,666
Investments:		
Brazil—		
Government-guaranteed obligations (note 5)	47,869	52,259
Shares and debentures at cost less amounts written off	9,739	10,407
Shares of and loans to corporate joint ventures on the equity method	47,453	39,971
	105,061	102,637
Canada and other—		
Shares of Canadian companies on the equity method (notes 4 and 6)	73,221	74,626
Shares of Canadian companies at cost (quoted market value 1975—$16,823) (note 7)		15,213
Shares of Canadian companies at cost less amounts written off (no quoted market value) (note 8)	1,723	20,715
Deposit receipt (note 9)	29,748	
Other investments at cost less amounts written off	8,673	7,517
	113,365	118,071
Other assets:		
Brazil—		
Utility materials and supplies at average cost (note 11)	36,074	40,217
Interest-bearing secured loans	32,704	32,445
Long-term finance and leasing contracts receivable	5,767	7,627
Other long-term receivables	18,036	17,637
Deferred real estate development expenditures	2,089	6,213
Sundry, including debt discount and issue expenses (1976—$2,384; 1975—$1,186)	13,938	9,924
	108,608	114,063
Canada and other—		
Deferred mine development expenditures and coal licences (note 10)		15,645
Long-term receivable	6,083	5,982
Sundry, including debt discount and issue expenses (1976—$2,458; 1975—$1,858)	6,769	6,126
	12,852	27,753
Property, plant and equipment at cost less accumulated depreciation, depletion and amortization (per statement attached):		
Brazil	1,621,875	1,406,276
Canada and other	139,913	104,498
	1,761,788	1,510,774
	$2,583,661	$2,242,964

(See accompanying summary of accounting policies and notes)

DECEMBER 31	1976	1975
		(note 4)
Liabilities		
Current liabilities (per statement attached):		
Brazil	**$ 376,371**	$ 311,972
Canada and other	**39,490**	51,477
	415,861	363,449
Other liabilities:		
Brazil—		
Long-term debt (per statement attached)	**446,555**	301,692
Accumulated reversion	**164,618**	164,618
Customers' contributions for line extensions	**44,402**	42,338
Minority interest	**155,211**	153,372
Other long-term liabilities	**46,140**	41,004
	856,926	703,024
Canada and other—		
Long-term debt (per statement attached)	**108,242**	86,790
Bank and other indebtedness	**1,864**	9,755
Minority interest (note 9)	**38,431**	29,563
Deferred income taxes (note 4)	**5,269**	8,505
	153,806	134,613
Shareholders' equity:		
Capital (note 14)—		
Authorized:		
929 6% cumulative convertible preference shares of a par value of Can. $100.00 each (1975—939 shares)		
8,000,000 preferred shares issuable in series		
105,000,000 ordinary (Class A, Class B and Class C shares of no par value)		
Issued and outstanding:		
929 6% preference shares (1975—939)	**93**	94
1,400,000 8½% Series A preferred shares of a par value of Can. $25.00 each	**35,980**	
28,315,285 ordinary (Class A and Class B) shares (1975—28,293,579)	**199,933**	199,694
	236,006	199,788
Retained earnings	**945,675**	866,703
	1,181,681	1,066,491
Less 2,293,522 ordinary shares held by a subsidiary, at cost	**24,613**	24,613
	1,157,068	1,041,878
	$2,583,661	$2,242,964

On behalf of the Board:

J. H. Moore
A. J. MacIntosh } Directors

(See accompanying summary of accounting policies and notes)

Statement of Consolidated Current Assets and Liabilities

DECEMBER 31	1976	1975
(Expressed in thousands of United States dollars)		
Brazil (notes 2 and 11):		
Current assets—		
Cash	**$106,797**	$ 77,688
Treasury bills and other short-term investments	**16,225**	10,424
Government-guaranteed obligations due within one year (note 5)	**4,390**	4,141
Interest-bearing secured loans	**122,464**	80,250
Finance and leasing contracts receivable	**14,663**	19,022
Accounts receivable	**135,531**	127,193
Industrial inventories at lower of cost and net realizable value		1,174
	400,070	319,892
Current liabilities—		
Bank indebtedness	**1,866**	2,063
Accounts payable and accrued charges	**195,990**	174,551
Income and other taxes payable	**42,039**	55,224
Current portion of long-term debt	**22,836**	15,170
Bills of exchange payable	**11,217**	15,674
Interest and dividends due and accrued	**9,926**	6,973
Short-term deposits	**92,497**	42,317
	376,371	311,972
Net current assets (Brazil)	**23,699**	7,920
Canada and other:		
Current assets—		
Cash	**5,989**	3,218
Deposit receipts	**43,255**	20,163
Short-term investments at cost, which approximates market	**8,831**	666
Accounts receivable and other	**18,448**	22,635
Mineral and other inventories at net realizable value	**5,394**	3,092
	81,917	49,774
Current liabilities—		
Bank indebtedness	**5,450**	15,210
Accounts payable and accrued charges	**10,095**	18,193
Dividends and interest due and accrued	**14,489**	10,790
Income and other taxes payable	**907**	584
Current portion of long-term debt	**8,549**	6,700
	39,490	51,477
Net current assets (Canada and other)	**42,427**	(1,703)
Total net current assets	**$ 66,126**	$ 6,217

(See accompanying summary of accounting policies and notes)

Statement of Consolidated Property, Plant and Equipment

DECEMBER 31	1976	1975
(Expressed in thousands of United States dollars)		(note 4)
Brazil:		
Utility plant (note 11)—		
Plant in service	**$1,912,739**	$1,653,679
Construction work in progress	**174,066**	175,905
Other physical property	**2,366**	2,430
Total, at cost	**2,089,171**	1,832,014
Less accumulated depreciation	**477,003**	447,506
	1,612,168	1,384,508
Unrealized balance of gas company assets (note 12)	**20,953**	26,923
	1,633,121	1,411,431
Less accumulated amortization	**34,389**	34,389
	1,598,732	1,377,042
Other—		
Land and buildings	**18,343**	20,284
Machinery, equipment, furniture and leasehold improvements	**9,070**	13,593
Total, at cost	**27,413**	33,877
Less accumulated depreciation, depletion and amortization	**4,270**	4,643
	23,143	29,234
	$1,621,875	$1,406,276
Canada and other:		
Electric utility plant	**$ 88,179**	$ 86,493
Oil and gas properties (note 13)	**67,343**	43,122
Mine plant and equipment	**15,439**	
Oil and gas plant and equipment	**6,609**	4,186
Coal and other properties (note 10)	**5,685**	3,143
Office furniture, equipment and leasehold improvements	**1,398**	1,343
Total, at cost	**184,653**	138,287
Less accumulated depreciation, depletion and amortization	**44,740**	33,789
	$ 139,913	$ 104,498

Statement of Consolidated Retained Earnings

FOR THE YEARS ENDED DECEMBER 31	1976	1975
(Expressed in thousands of United States dollars)		(note 4)
Balance at beginning of year:		
As previously reported	**$ 858,593**	$ 802,762
Adjustments for changes in accounting policies (note 4)	**8,110**	7,054
As restated	**866,703**	809,816
Net income for year	**108,000**	84,530
	974,703	894,346
Deduct:		
Cash dividends (note 15)	**27,732**	27,643
Commission and issue expenses of Series A preferred shares	**1,296**	
	29,028	27,643
Balance at end of year	**$ 945,675**	$ 866,703

(See accompanying summary of accounting policies and notes)

Statement of Consolidated Long-Term Debt—Brazil (note 11)

DECEMBER 31	1976	1975
(Expressed in thousands of United States dollars)		
Brascan International B.V. (guaranteed by Brascan Limited)*:		
8¼% bonds, due annually 1977 to 1987 in U.S. dollars	**$ 18,500**	$ 19,250
Light-Serviços de Eletricidade S.A.:		
United States of America Alliance for Progress 5½% loan, due in equal semi-annual instalments 1977 to 1984 in U.S. dollars or, at the lender's option, in equivalent cruzeiros	**20,642**	23,223
U.S. dollar bank loans at rates from 1% to 2¼% over London interbank rate, due semi-annually 1977 to 1986	**372,419**	241,473
Export Development Corporation 7½% loan, due in equal semi-annual instalments 1977 to 1988 in Canadian dollars	**23,198**	14,919
Canadian dollar 9½% bank loan, due semi-annually 1977 to 1979	**4,093**	3,108
International Bank for Reconstruction and Development 6% and 7¼% loans, due semi-annually 1977 to 1993 substantially in U.S. dollars	**5,023**	4,627
Supplier financing, due semi-annually to 1982 in various currencies	**25,516**	10,262
	469,391	316,862
Less current portion included in current liabilities	**22,836**	15,170
	$446,555	$301,692

*Proceeds loaned to Light-Serviços de Eletricidade S.A.

Maturities and sinking fund requirements during the next five years are as follows:

1977—$22,836	1979—$91,081	1981—$49,167
1978— 73,436	1980— 69,897	

Statement of Consolidated Long-Term Debt—Canada and Other

DECEMBER 31	1976	1975
(Expressed in thousands of United States dollars)		
Canadian dollar bank loan at a rate 1¼% above the minimum commercial bank lending rate in Canada, due semi-annually 1977 to 1980	**$ 17,422**	$ 21,521
Brascan International B.V.†:		
8.3% loan from a consortium of Japanese banks, due annually 1982 to 1988 in U.S. dollars	**30,000**	30,000
8½% bonds, due annually 1979 to 1988 in Deutsche marks (equivalent to $42,400 at year-end rate)	**35,920**	35,920
Brascan International Capital Corporation†:		
9¾% notes, due 1977 to 1982 in U.S. dollars	**30,000**	
Great Lakes Power Corporation Limited:		
4½% first mortgage sinking fund bonds, due 1976 in Canadian dollars		2,600
5¾% sinking fund debentures, due 1977 in Canadian dollars	**3,449**	3,449
	116,791	93,490
Less current portion included in current liabilities	**8,549**	6,700
	$108,242	$ 86,790

†Guaranteed by Brascan Limited

Maturities and sinking fund requirements during the next five years are as follows:

1977—$8,549	1979—$6,895	1981—$4,592
1978— 5,099	1980— 9,716	

(See accompanying summary of accounting policies and notes)

Notes to Consolidated Financial Statements

1. Electric utility operations—Brazil

(a) Rate base—

The rate structure regulations are described in the summary of accounting policies.

In December 1975 new regulations were enacted which, while maintaining the basic principles of the "service at cost" system, introduced some significant changes. The changes effective in 1975 and their impact were outlined in the 1975 annual report.

Under these same regulations, the rate base for 1976 and subsequent years is to be calculated based primarily on month-end balances of its components.

This change together with a related change in the calculation of the allowance for interest on funds used in construction from a year-end to a month-end basis (see summary of accounting policies) has reduced net income for the year by approximately $10.6 million.

New regulations issued in December 1976 further altered the method of computing the rate base, by altering the measurement of the cash component therein. This resulted in an additional reduction of net income for the year of approximately $11.0 million.

All rate adjustments approved to date under the "service at cost" system relate to the calculation by the Company's electric utility subsidiary of its own rate base. In 1974 the findings of a Government Commission were formally confirmed which established the physical existence and the monetarily corrected cruzeiro cost less applicable depreciation of the plant in service as at December 31, 1972. These cruzeiro values, together with subsequent monetary correction were adjusted in the accounts in 1974 and were approximately 0.3% below the equivalent book value. In addition, the electric subsidiary's submission of accounts for the cost of service for 1974 was approved by the regulatory authority in 1975, which approval constitutes confirmation of the value of rate base updated to December 31, 1974. Subsequently the rate base for the year 1975 was also approved.

Electric income from January 1, 1965 may still be subject to adjustment through future rates to reflect changes in the rate base arising from the 1974 findings of the Commission. Any adjustment is not expected to be material.

The rate of return earned in both 1975 and 1976 was 12% on the rate base as revised by regulation each year.

(b) Depreciation—

New regulations for electric public utility companies introduced in December 1976 require certain additional changes, effective from mid-1977, with respect to accounting for depreciation. In addition new legislation, applicable to all limited companies, also introduced in December 1976 may require further changes in accounting for depreciation. The implications of these changes cannot be assessed until the issuance of the detailed instructions.

(c) Corporate profits taxes—

Provision for these taxes has been made at 6%, the rate applicable to electric utilities. In addition a 5% distribution tax is provided by the electric subsidiary on dividends payable with the exception of those payable to Brazilian domiciled corporations.

2. Exchange regulations

Remittances from Brazil are subject to the exchange regulations of that country. Inter-company interest and related sinking fund payments from the electric subsidiary, together with payments under the telephone sale agreement, are fully remittable in dollars. Dividend payments from the electric subsidiary on the Company's direct investment are 47.7% remittable in dollars with the balance being available in cruzeiros in Brazil. In addition, dividend payments from the Brazilian investment subsidiaries are partially remittable in dollars.

3. Withholding taxes—Brazil

Interest payments from subsidiaries in Brazil are subject to an effective Brazilian withholding tax rate of 5%.

Dividend payments from subsidiaries in Brazil are subject to the regular Brazilian withholding tax rate of 25%. Should net dividend payments exceed 12% of the dollar amount of registered capital averaged over the preceding three years, additional taxes would be payable on a graduated scale from 40% to 60%.

4. Changes in accounting policies

As explained in the summary of accounting policies:

(a) the Company has retroactively adopted the equity method of accounting for long-term investments in which significant influence exists. Prior to 1976 the Company carried these investments at cost.

Included in the carrying value of shares of Canadian companies on the equity method is an amount of $4.3 million representing the excess of the purchase price over the underlying fair value of the net assets of John Labatt Limited.

In computing the Company's income on the equity method, allowance has been made for the possible future conversion of the outstanding preferred shares of John Labatt Limited, which would have the effect of reducing the Company's proportionate interest in that company to 24.3%.

(b) the Company has retroactively adopted the policy of charging mineral exploration costs to income as incurred until such time as an economic orebody is defined.

Prior to 1976 the Company capitalized such costs until it was determined whether commercially exploitable reserves existed, and charged to income costs associated with unsuccessful or abandoned prospects.

(c) the effects of these changes and the restatement of the comparative figures for 1975 are as follows:

	Increase (decrease) in thousands					
	1976		1975		Retained Earnings January 1	
	Net Income	Per Share	Net Income	Per Share	1976	1975
Mineral accounting*			$ (821)	$ (.03)	$(1,767)	$ (946)
Equity accounting	$ 5,600	$ .22	1,877	.07	9,877	8,000
	$ 5,600	$ .22	$ 1,056	$ .04	$ 8,110	$7,054

*Net of deferred income taxes

5. Government-guaranteed obligations

This amount, together with interest at 6%, is receivable in equal quarterly instalments from January 1, 1978 to January 1, 1986 with respect to the sale of the Company's telephone utilities in 1966 to an agency of the Federal Government of Brazil. Payments under the sale agreement carry the guarantee of that Government.

The Company is obligated to reinvest 75% of the principal in other enterprises in Brazil over the term of the agreement. The amounts receivable within one year are included under current assets.

Under the terms of the Canadian dollar bank loan of $17.4 million, these holdings may not be sold or otherwise encumbered without the prior written consent of the lenders.

6. Investment in Western Mines Limited

During the year the Company acquired 589,722 additional shares of Western Mines Limited, at a cost of $4.0 million, sufficient to raise its interest in that company to 50.4%. This acquisition, together with the initial purchase in 1975, was recorded under the purchase method of accounting. Accordingly the Company has consolidated the accounts of Western Mines Limited from January 1, 1976.

The following net assets (in thousands) were acquired as at that date:

Fixed assets—net	$ 10,547
Investments	562
Working capital	10,416
	21,525
Deferred income taxes	1,731
Net assets acquired, at values assigned on purchase	19,794
Deduct minority interest	8,792
Purchase price	$ 11,002

7. Extraordinary items

During 1976 the Company sold its investments in Hudson's Bay Company and Commerce Capital Corporation and realized a profit of $2.0 million. This amount is shown as an extraordinary item in the statement of consolidated income together with the gain of $2.9 million described in note 12 and the Company's proportionate $.6 million share of an extraordinary gain in the income of John Labatt Limited which is carried on the equity method.

8. Shares of Canadian companies at cost less amounts written off (no quoted market value)

In April 1976 the equity interest in Elf Oil Exploration and Production Canada Ltd. was converted into direct ownership interest with others in certain exploratory lands in the Beaufort Sea, offshore Northwest Territories, and in British Columbia and Alberta.

9. Deposit receipt

A major portion (Can. $30.0 million) of the proceeds of the Company's Series A preferred share issue has been pledged to secure the interests of the holder of a subsidiary's Can. $30.0 million preference share issue (included in minority interest—Canada) redeemable at the option of that subsidiary at any time, and at the option of the holder at any time after May 1, 1977.

10. Deferred mine development expenditures and coal licences

The Company holds a 12½% working interest in the Sukunka coal project in northeastern British Columbia.

In 1976 the Company decided not to exercise its option to acquire an additional 47½% interest and $9.8 million (net of tax) was charged to earnings in the first quarter to reflect the write down in the carrying value of the project to its estimated realizable value of $2.5 million. This amount is grouped with fixed assets—coal and other properties in 1976.

11. Long-term debt—Brazil

Long-term debt—Brazil (with the exception of most supplier financing) is secured by debentures of Light carrying a floating charge on its assets. These assets consist principally of utility plant in service, construction work in progress, utility materials and supplies, and approximately $216.4 million of current assets.

In early 1977 the Brazilian electric subsidiary received the proceeds of a 8½% 100 million Deutsche mark (approximately U.S. $42.0 million) 5 year bond issue, due March 11, 1982.

12. Unrealized balance of gas company assets

This represents the book value of the unrealized balance of the assets of the gas plant in Rio de Janeiro which was transferred to a local Government authority in 1969. The compensation for these assets has not been finally determined but no net loss on settlement is expected.

During the year settlement was received for the assets of the São Paulo gas service which were expropriated in 1967. The compensation received included interest and monetary correction from the date of expropriation which resulted in an amount of $2.9 million being included in extraordinary items.

13. Oil and gas properties

The following is a summary (in thousands) of the cost of oil and gas properties by cost centre and the related accumulated depletion as at December 31:

	1976			1975
	Cost	Accumulated Depletion	Net	Net
North America (excluding the Arctic)	$58,719	$5,849	$52,870	$37,332
Arctic	8,624		8,624	1,613
Foreign areas				479
	$67,343	$5,849	$61,494	$39,424

At December 31, 1976 the Company estimated its proven reserves at 253.6 billion cubic feet of sales gas and 2.9 million barrels of oil.

14. Share capital

(a) By supplementary letters patent dated July 5, 1976:

(i) The capital of the Company was increased by the creation of 5,000,000 Class C convertible ordinary shares without nominal or par value which rank equally as to dividends and on liquidation with the Class A and the Class B convertible ordinary shares. Each Class C share may, at the option of the holder, be converted into one Class A convertible ordinary share. Class C shares are non-voting unless the Company has failed to pay dividends on such shares for two consecutive years.

(ii) The Company has been declared a constrained share company within the meaning of the Canada Corpora-

tions Act. The purpose of these constraints is to restrict the issue and transfer of the Company's voting shares so as to assure that:

(a) not more than 49% of the Company's outstanding voting shares are controlled by non-Canadians as a group, and

(b) not more than 10% of such shares are controlled by any one non-Canadian or by an associated group of non-Canadians.

(b) By supplementary letters patent dated July 12, 1976:

(i) Certain alterations were made in the authorized capital of the Company, including the cancellation of 5,000,000 second preferred shares of the par value of Can. $20.00 each, and the creation of 8,000,000 preferred shares of an aggregate par value not exceeding Can. $200.0 million, such class to be issued in one or more series as determined by the directors. The preferred shares of each series rank equally with the preferred shares of every other series, and are entitled to preference over the ordinary shares of the Company.

(ii) The first series of preferred shares consists of 1,400,000 8½% cumulative redeemable Series A preferred shares, of the par value of Can. $25.00 each designated as "8½% Tax-deferred Preferred shares Series A", and the second series of preferred shares consists of 1,400,000 10% cumulative redeemable preferred shares, Series B, of the par value of Can. $25.00 each. Each Series A share is convertible after April 15, 1988, into one Series B preferred share. The dividend rates on the two series are equivalent, after taking into account the special 15% tax paid by the Company to create tax-paid undistributed surplus on hand from which 8½% tax-deferred Series A preferred share dividends are paid. The preferred shares are subject to a maximum non-cumulative quarterly purchase obligation totalling 4,667 shares per month. After July 15, 1983, the Company may redeem the 8½% Series A preferred shares at a premium of Can. $1.00 per share reducing by Can. $0.25 annually to 1987 and par thereafter.

(c) Pursuant to an agreement dated July 15, 1976, 1,400,000 8½% cumulative redeemable Series A preferred shares were sold to underwriters at par (Can. $25.00 each) for Can. $35.0 million subject to payment of an underwriting commission of Can. $1.1 million.

(d) The authorized and issued ordinary shares of the Company are without nominal or par value. The ordinary share capital at December 31, 1976, is summarized below:

	Shares Authorized	Shares Issued
Class A convertible	50,000,000	26,663,720
Class B convertible	50,000,000	1,651,565
Class C convertible (non-voting)	5,000,000	
		28,315,285
Less Class A convertible shares held by a subsidiary (non-voting)		2,293,522
		26,021,763

The total Class A, B and C shares issued and outstanding at any one time may not exceed 50,000,000 shares.

The Class A, B and C ordinary shares rank equally in all respects except for the following:

(i) Dividends on Class B shares may be paid out of certain defined portions of retained earnings resulting in a different Canadian tax treatment when such dividends are received by shareholders.

(ii) Class C shares are non-voting unless the Company has failed to pay any dividend on the shares for two consecutive years.

During 1976, 814,201 Class A convertible ordinary shares were converted into Class B convertible ordinary shares.

Under the Company's share purchase plans, 21,640 Class A ordinary shares were issued at $10.98 per share during 1976 to officers and employees, financed by interest-free loans from the Company. At December 31, 1976, the amount of loans under these plans, included in sundry assets, was $1.5 million (including $.7 million to certain directors and officers).

15. Dividends

Dividends, together with the related tax on undistributed income, consisted of the following:

	Thousands	
	1976	1975
Ordinary:		
Cash—		
Class A convertible (U.S. $1.00 per share)	$26,734	$27,449
Class B convertible (U.S. $0.85 per share)	1,295	648
Related tax paid on undistributed income (U.S. $0.15 per Class B share)	229	114
	28,258	28,211
Paid to a subsidiary		
(U.S. $1.00 per share)	(2,294)	
(U.S. $0.25 per share)		(573)
	25,964	27,638
Preferred:		
Cash—		
6% preference (Can. $6.00 per share)	5	5
8½% Series A preferred (Can. $1.0625 per share)	1,499	
Related tax paid on undistributed income (Can. $0.1875 per share)	264	
	1,768	5
Total dividends	$27,732	$27,643

Dividends paid on Class B ordinary shares are equivalent to those paid on Class A ordinary shares after taking into account the special 15% tax currently paid by the Company to create tax-paid undistributed surplus on hand from which Class B dividends are paid.

Dividends declared on the 8½% cumulative redeemable Series A preferred shares must also be paid out of the same defined portions of retained earnings as discussed under Class B shares in the preceding paragraph.

16. Net loss on disposals—Brazil

During the year the Company sold or provided for the discontinuation of its trading, sardine canning and lobster fishery operations and its pineapple development project at a net loss of $1.5 million.

17. Comparative figures

Certain of the 1975 accounts have been reclassified to conform with the 1976 presentation.

18. Commitments and contingencies

Total commitments outstanding for construction, equipment, etc. at December 31, 1976 were approximately $231.6 million. In addition, the Company's Brazilian investment bank and other subsidiaries are contingently liable as guarantors on loans and other contracts of approximately $43.0 million.

19. Retirement plans

The Company and its subsidiaries have retirement plans covering substantially all employees. Costs charged against income in the year include amounts for current and past service.

Based on the latest actuarial valuations of the various retirement plans, the only material unfunded obligation for past service costs exists in the Brazilian electric utility subsidiary's plan which is being funded by that subsidiary in accordance with the terms of the plan and applicable Brazilian legislation. It is expected that substantially all of these costs will be included in future annual operating expenses of the service for which revenues will be provided by the regulatory system (see summary of accounting policies—Electric utility operations—Brazil).

20. Anti-inflation program

Effective October 14, 1975 the Canadian Federal Government passed the Anti-Inflation Act and subsequently issued regulations which are presently in force until December 31, 1978. Under this legislation, the Government has established guidelines to control prices, profit margins, employee compensation and dividends. Accordingly, the ability of the Company and its Canadian subsidiaries to increase prices, profit margins and dividends may be restricted during the period in which the Act and regulations are in effect.

The Company's non-Canadian activities, which represent the bulk of its operations, are not affected by this legislation.

21. Remuneration of directors and officers

	Directors		Officers		Number of officers who were also directors
	Number	Thousands	Number	Thousands	
Paid by the Company	25	$162	16	$1,155	7
Paid by one subsidiary			1	88	1
Paid by a second subsidiary			1	63	1
Paid by a third subsidiary			1	100	1
Paid by a fourth subsidiary	1	25			

Auditors' Report

To the Shareholders of Brascan Limited:

We have examined the consolidated balance sheet and the statements of consolidated current assets and liabilities, property, plant and equipment and long-term debt of Brascan Limited as at December 31, 1976, and the statements of consolidated income, investment and industrial operations income, retained earnings and changes in consolidated financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1976 and the results of its operations and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in Canada applied on a basis consistent with that of the preceding year, after giving retroactive effect to the changes in accounting for non-consolidated long-term investments and mineral exploration costs, explained in the summary of accounting policies.

Toronto, Canada
March 21, 1977

Clarkson, Gordon & Co.
Chartered Accountants

Analysis of Consolidated Income by Currency

FOR THE YEARS ENDED DECEMBER 31	Source			Currency		
	Brazil	Canada and other	Total	Cruzeiros	Dollars	Total
(Expressed in thousands of United States dollars)						
1976						
Income (loss):						
Electric utilities	$104,051	$ 5,474	$109,525	$75,776	$33,749	$109,525
Financial services	7,887	(95)	7,792	4,056	3,736	7,792
Natural resources	(1,938)	5,594	3,656	(1,938)	5,594	3,656
Real estate	2,205		2,205	1,803	402	2,205
Consumer and industrial goods and services	8,391	6,463	14,854	8,391	6,463	14,854
Interest under telephone sale agreement	3,160		3,160		3,160	3,160
Other income—net	854	3,028	3,882	854	3,028	3,882
	124,610	20,464	145,074	88,942	56,132	145,074
Write down of deferred mine development expenditures		*(9,800)	(9,800)		*(9,800)	(9,800)
Discontinued operations	(2,934)		(2,934)	(2,934)		(2,934)
	121,676	10,664	132,340	86,008	46,332	132,340
Expenses not allocated by segment	(8,375)	(15,916)	(24,291)	(7,316)	(16,975)	(24,291)
General corporate expenses		(5,526)	(5,526)		(5,526)	(5,526)
Income (loss) before extraordinary items	$113,301	$(10,778)	$102,523	$78,692	$23,831	$102,523
Per ordinary share:						
Income (loss) before extraordinary items	$ 4.35	$ (.48)	$ 3.87	$ 3.03	$ .84	$ 3.87
Write down of deferred mine development expenditures (deducted above)		*.38			*.38	
1975						
Income (loss):						
Electric utilities	$116,545	$ 5,729	$122,274	$88,470	$33,804	$122,274
Financial services	6,816	45	6,861	1,082	5,779	6,861
Natural resources	(1,208)	611	(597)	(1,208)	611	(597)
Real estate	1,161		1,161	763	398	1,161
Consumer and industrial goods and services	(1,112)	4,038	2,926	(1,112)	4,038	2,926
Interest under telephone sale agreement	3,398		3,398		3,398	3,398
Other income—net	1,346	2,518	3,864	1,346	2,518	3,864
	126,946	12,941	139,887	89,341	50,546	139,887
Discontinued operations	(14,936)	(2,776)	(17,712)	(14,936)	(2,776)	(17,712)
	112,010	10,165	122,175	74,405	47,770	122,175
Expenses not allocated by segment	(11,436)	(10,580)	(22,016)	(10,003)	(12,013)	(22,016)
General corporate expenses		(3,990)	(3,990)	106	(4,096)	(3,990)
Income (loss) before extraordinary items	$100,574	$ (4,405)	$ 96,169	$64,508	$31,661	$ 96,169
Per ordinary share	$ 3.64	$ (.16)	$ 3.48	$ 2.33	$ 1.15	$ 3.48

Analysis of Changes in Consolidated Financial Position by Currency

FOR THE YEARS ENDED DECEMBER 31	1976			1975		
	Cruzeiros	**Dollars**	**Total**	Cruzeiros	Dollars	Total
(Expressed in thousands of United States dollars)						
Funds provided:						
Operations, after deducting dividends paid to minority shareholders	**$113,481**	**$ 37,163**	**$150,644**	$115,997	$ 33,893	$149,890
Long-term borrowings	**175,984**	**30,102**	**206,086**	155,210	9,155	164,365
Shares issued net of expenses		**34,922**	**34,922**		446	446
Proceeds on sale of investments		**17,459**	**17,459**			
Net settlement on gas company assets	**8,913**		**8,913**			
Net funds arising (used) on acquisition of subsidiary—Canada		**7,002**	**7,002**		(13,209)	(13,209)
Sale of property, plant and equipment	**4,349**	**585**	**4,934**	2,185		2,185
Current portion of sale price of telephone utilities	**3,106**	**1,284**	**4,390**	2,931	1,211	4,142
Decrease in utility materials and supplies	**4,143**		**4,143**	5,631		5,631
Miscellaneous changes in various assets and liabilities	**8,082**	**(3,961)**	**4,121**	(11,006)	(2,168)	(13,174)
Repayment of subsidiary debt to parent	**(6,125)**	**6,125**		(5,750)	5,750	
	311,933	**130,681**	**442,614**	265,198	35,078	300,276
Funds used:						
Expenditures of property, plant and equipment—						
Utility—Brazil	**261,725**		**261,725**	233,917		233,917
Other	**2,391**	**12,529**	**14,920**	3,157	9,745	12,902
Reduction in long-term debt	**23,931**	**16,542**	**40,473**	15,144	10,141	25,285
Dividends		**27,732**	**27,732**		27,643	27,643
Long-term deposit receipt		**29,748**	**29,748**			
Long-term receivable resulting from sale of subsidiary				14,191		14,191
Increase in non-utility investments	**8,107**		**8,107**	4,744	6,758	11,502
	296,154	**86,551**	**382,705**	271,153	54,287	325,440
Increase (decrease) in net current assets	**15,779**	**44,130**	**59,909**	(5,955)	(19,209)	(25,164)
Net current assets (liabilities) at beginning of year	**7,920**	**(1,703)**	**6,217**	13,875	17,506	31,381
Net current assets (liabilities) at end of year	**$ 23,699**	**$ 42,427**	**$ 66,126**	$ 7,920	$ (1,703)	$ 6,217

Comparative Statement of Consolidated Income

FOR THE YEARS ENDED DECEMBER 31	**1976**	1975	1974	1973	1972
(Expressed in thousands of United States dollars)					
Electric utility—Brazil:					
Operating revenues	**$1,137,617**	$1,016,131	$ 799,416	$ 625,409	$ 518,191
Operating revenue deductions—					
Purchased power	**582,865**	494,668	380,069	259,105	202,634
Salaries, wages and other operating expenses	**236,219**	215,342	174,281	148,545	121,564
Depreciation	**48,610**	43,426	34,973	28,921	26,777
Reversion	**93,774**	66,510	43,525	37,962	32,860
	961,468	819,946	632,848	474,533	383,835
Operating income	**176,149**	196,185	166,568	150,876	134,356
Income deductions	**72,098**	79,640	47,699	43,905	47,250
Net electric utility income—Brazil	**104,051**	116,545	118,869	106,971	87,106
Investment and industrial operations:					
Brazil	**9,250**	(15,971)	4,363	22,066	7,512
Canada and other	***(5,252)**	(415)	1,460	4,020	7,247
	3,998	(16,386)	5,823	26,086	14,759
General corporate expenses	**5,526**	3,990	4,077	3,221	2,973
Income before extraordinary items	**102,523**	96,169	120,615	129,836	98,892
Extraordinary items	**5,477**	(11,639)	(10,000)		
Net income for year	**$ 108,000**	$ 84,530	$ 110,615	$ 129,836	$ 98,892

*Including write down of deferred mine development expenditures of $9,800

Operating Statistics of Light—Serviços de Eletricidade S.A.

	1976	1975	1974	1973	1972
Kilowatt hours billed (millions)					
Residential	**7,024**	6,372	5,881	5,433	4,966
Commercial	**5,177**	4,854	4,448	4,068	3,662
Industrial	**16,840**	14,820	14,205	12,761	11,126
Public utilities and others	**3,293**	3,035	2,842	2,695	2,648
Total	**32,334**	29,081	27,376	24,957	22,402
Customers (thousands)	**4,173**	3,973	3,862	3,699	3,485
Employees	**30,646**	29,824	31,555	27,584	25,968
Capacity of generating plants (kw thousands)	**2,064**	2,064	2,064	2,119	2,119
Transmission lines (kilometres of circuit)	**5,506**	5,344	5,181	4,965	4,737
Distribution network lines (kilometres of wire)	**323,636**	313,598	300,866	280,833	262,065
Transformer capacity (kva thousands)	**7,179**	6,627	6,138	5,514	4,961

Brascan LIMITED

BOX 48, COMMERCE COURT WEST, TORONTO, ONTARIO M5L 1B7

Directors

J. H. A'COURT/*Toronto*
SENIOR FINANCIAL CONSULTANT
to the Company

[3] PIERRE ANSIAUX/*Brussels*
Member of the Bar of the Supreme Court of Belgium

[3] THIERRY BARBEY/*Geneva*
Managing Partner, Lombard, Odier & Cie

A. W. FARMILO/*Calgary*
VICE-PRESIDENT; President, Brascan Resources Limited

[1,3] E. C. FREEMAN-ATTWOOD/*Toronto*
PRESIDENT

JOHN F. GALLAGHER/*Chicago*
Vice-President, International Operations, Sears, Roebuck and Co.

ANTONIO GALLOTTI/*Rio de Janeiro*
VICE-PRESIDENT; President, Brascan–Administração e Investimentos Ltda.

J. PETER GRACE/*New York*
President and Chief Executive Officer, W. R. Grace & Co.

LEWIS B. HARDER/*New York*
Chairman, International Mining Corporation

[2] N. E. HARDY/*London, Ontario*
Vice-Chairman of the Board, John Labatt Limited

[1] R. E. HARRISON/*Toronto*
Chairman, Canadian Imperial Bank of Commerce

LOUIS A.-LAPOINTE/*Montreal*
Chairman, Miron Company Ltd.

R. F. LEWARNE/*Toronto*
VICE-PRESIDENT

[1,2] A. J. LITTLE/*Toronto*
Company Director

[1,2] A. J. MacINTOSH/*Toronto*
Partner, Blake, Cassels & Graydon

[1] PAUL E. MANHEIM/*New York*
Limited Partner, Lehman Brothers

WILLIAM J. MANNING/*New York*
Partner, Simpson Thacher & Bartlett

[1,2] BEVERLEY MATTHEWS/*Toronto*
Partner, McCarthy & McCarthy

W. R. MILLER/*Toronto*
VICE-PRESIDENT, FINANCE

[1,2,3] J. H. MOORE/*London, Ontario*
CHAIRMAN OF THE BOARD

[3] JOHN G. PHILLIMORE/*London*
Company Director

1 Executive Committee
2 Audit Committee
3 European Advisory Committee

Honorary Directors

[3] HERMANN J. ABS/*Frankfurt (Main)*

HENRY BORDEN/*Toronto*

W. C. HARRIS/*Toronto*

Officers

J. H. MOORE/*Chairman of the Board*

E. C. FREEMAN-ATTWOOD/*President*

ANTONIO GALLOTTI/*Vice-President and Senior Corporate Officer in Brazil*

L. D. BLACHFORD/*Vice-President*

A. W. FARMILO/*Vice-President*

R. F. LEWARNE/*Vice-President*

D. A. McALPINE/*Vice-President*

W. R. MILLER/*Vice-President, Finance*

J. P. ZACHARY/*Vice-President*

R. R. SUTHERLAND/*Assistant Vice-President, Finance*

L. A. ALLEN/*Secretary*

R. H. ELDRIDGE/*Treasurer*

B. M. HOWARD/*Comptroller*

W. A. MARLOW/*Assistant Secretary*

J. R. R. BRIMSON/*Assistant Treasurer*

C. A. MINCHOM/*Assistant Treasurer*

GREAT LAKES POWER CORPORATION LIMITED

Directors

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L. D. BLACHFORD/*President*

W. M. HOGG/*Vice-President*

A. W. FARMILO/*Vice-President*

W. R. MILLER/*Vice-President, Finance*

ROSS DUNN

R. F. LEWARNE

B. B. LOCKWOOD

J. P. ZACHARY

LIGHT—SERVIÇOS DE ELETRICIDADE S.A.

Directors

ALEXANDRE HENRIQUES LEAL/*President*

CAIO TÁCITO SÁ VIANA PEREIRA DE VASCONCELOS/*Vice-President*

ALBERTO DO AMARAL OSÓRIO/*Vice-President*

WILLIAM J. CROCKER/*Vice-President*

TULLIO ROMANO CORDEIRO DE MELLO/*Vice-President*

LUIZ TEIXEIRA ALVES DE LIMA/*Vice-President*

JOSÉ RUBEM FONSECA

RUY BESSONE PINTO CORRÊA

ROBERT WILSON

MIGUEL REALE

DANIEL BARUCH ROBINSON

GILBERTO SAMPAIO DE TOLEDO

ARTHUR COHEN

BRASCAN—ADMINISTRAÇÃO E INVESTIMENTOS LTDA.

ANTONIO GALLOTTI/*President*

J. J. MARQUES FILHO/*Vice-President*

R. F. LEWARNE/*Executive Vice-President*

ALEXANDRE HENRIQUES LEAL/*Vice-President*

ROBERTO PAULO CEZAR DE ANDRADE/*Vice-President, Industrial and Commercial Group*

A. T. COUSINS/*Vice-President, Finance*

PEDRO LEITÃO DA CUNHA/*Vice-President, Banking*

A. A. DE AZEVEDO SODRÉ

ALFREDO LAMY FILHO

CAIO TACITO SÁ VIANA PEREIRA DE VASCONCELOS

TULLIO ROMANO CORDEIRO DE MELLO

J. E. WILLIAMS

SERGIO PIOMBO

As at March 22, 1977

Transfer Agents

National Trust Company, Limited
Toronto, Montreal, Vancouver, Calgary, Winnipeg and Halifax

Citibank N.A.
New York

Registrars

Canadian Imperial Bank of Commerce
Toronto, Montreal, Vancouver, Calgary, Winnipeg and Halifax

Bankers Trust Company
New York

Annual and Special General Meeting

The annual and special general meeting of the shareholders will be held at the Royal York Hotel, Toronto, on Tuesday, May 31, 1977 at 11 o'clock in the morning.

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